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November 1991

Rep Firms Scramble As Ad Picture Darkens

Presstime

The Journal of the American Newspaper Publishers Association

POWERFUL FORCES CHANGE

Newsprint and Ink

The Economy, The Environment Shape Newspapers' Basic Materials

Bethesda, MD 20814

presstime

NOVEMBER 1991 VOLUME 13, NUMBER 11

20 Special Report Presstime's *second annual package on newsprint and ink tracks supplies, demand, price and quality of newspapers' two basic materials. For the moment, publishers are getting real bargains on those commodities. But some newsprint producers, buffeted by the recession and recycling, fear for their futures. When it comes to shopping for inks, newspapers have never had so many choices, as suppliers meet constant demands for new and better formulations.*

8 Rep firms regroup *Consolidation and diversification are the watchwords at companies that represent newspapers to national advertisers—and now others.*

14 Flexibility on the job *More newspaper companies are experimenting with a variety of ways to help employees meet family responsibilities.*

30 More than a paper bag *Storing old newspapers for recycling is fashionable—and can even be elegant—with the array of containers available.*

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36 Essay: RBOCs on the march *James Lessersohn says newspapers must move quickly to blunt the Bells' advantages in database marketing.*

40 Who's on First? *A Supreme Court observer says justices have lost the passion of previous jurists—especially when it comes to the First Amendment.*

50 Data sharing *Two newspaper groups will cooperate with Sears to exchange purchase orders and other advertising information via computer networks.*

54 Assault on the Hill *Much of the action shifts to Congress as the regional Bell companies win court permission to be information providers.*

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Advertising Representatives

As newspapers' share of national ads declines to 5.3 percent,

BY WALT POTTER
presstime staff writer

In 1842, when Volney B. Palmer founded the first U.S. newspaper advertising representative firm in Philadelphia, most Americans never traveled more than a few miles from their birthplaces. The "rep firm" concept was seen as a way to attract national advertising into relatively isolated publications.

Today, when many people travel long distances just to get to their jobs, and when virtually everything needed for an ad can be transmitted instantly by computer, facsimile machine or satellite, it's not surprising that the representative companies have changed, too.

The most obvious change is that fewer fit the traditional definition of a newspaper rep firm: a group of salesmen that represent more than one newspaper to distant advertisers. Following decades of mergers, eight such companies—seven of them based in New York City—now represent about 90 percent of U.S. daily newspapers to national advertisers.

Most executives familiar with the business expect further consolidation. "There definitely will be more mergers," predicts Robert W. Keim, executive vice president of Landon Associates Inc.

Keim and other rep-firm executives say the mergers result from the relative shrinkage of national advertising in newspapers and from changes in the newspaper industry itself. Newspapers' share of all national advertising was 5.3 percent in 1990, a third of what it was four decades ago. (See chart, facing page.) At the same time, the newspaper industry has consolidated. There are fewer newspapers to represent (1,611 U.S. dailies as of the end of last year, down from 1,772 in 1950), and some of them—individually and as groups—now represent themselves to national and regional as well as local advertisers.

A second major trend among rep firms has been diversification. As the nature of advertising has changed, the reps have moved into new areas, such as pursuing ads other than national and offering advice on how to set up voice information services and other new technologies.

These changes have led to more complex relationships between the representatives and their newspaper clients—in how the firms serve newspapers and get paid.

Accordingly, which paper has a relationship with which rep firm has also been changing much more rapidly than in the past. "There's been a lot of switching going on" by newspapers trying to find the right company to represent them, says Thomas A. Reddy of White Plains, N.Y., a 40-year observer of the ad-rep business.

In addition, representative companies' traditional emphasis on providing service to their clients before and after sales has decreased as the firms have been forced to shift resources to getting the sales, says Reddy, an executive for The Sunflower Group, a specialized advertising broker based in Overland Park, Kan.

An assistant professor of advertising at Marquette University, John H. Crowley, says he believes the representatives have the resources to meet these multiple challenges.

Allan J. Lotty, Flying Camera Inc.

David B. Fisher (left), general manager of Maxwell AD/SAT, shows his company's equipment to Thomas J. Kelley, retail sales manager for Landon Associates.

The 'Big Eight' Among Newspapers' Ad-rep Firms

Firm	Papers Represented	Full-Time Employees	Offices
Branham Newspaper Sales	160	n/a	15
CWO&O	160	110	11
Gannett National Newspaper Sales	80	61	8
Landon Associates Inc.	600	124	22
Newhouse Newspapers Metro-Suburbia Inc.	28	50	6
Newspapers First	39	103	9
The Papert Cos.	300	52	11
Sawyer-Ferguson-Walker Inc.	47	140	12

Note: All are based in New York City except Papert, which has headquarters in Dallas.

Pour Resources Into Sales

outside reps try different strategies and offer new services

"I'm sure the rep firms are suffering, simply because media are suffering, but these companies have always been highly regarded for attracting real sharp people," says Crowley, who spent 30 years with ad agencies before turning to teaching.

In fact, the current tough times in advertising may actually provide an opportunity for the firms, says Beverly A. Klein, president of the International Newspaper Advertising and Marketing Executives.

"We're at a precipice right now," says Klein, senior vice president for marketing of The Milwaukee Journal and Milwaukee Sentinel. "So much depends on what happens with the new marketing association."

The proposed Newspaper Marketing Inc. will result from a merger of INAME, the Newspaper Advertising Bureau and five other organizations. (See story, p. 68.) "The association is key, because it will be more strongly sales-driven," she says. "Our strength will lie in delivering any and all newspapers."

Klein "agrees 100 percent" with the belief that the advent of NMI will give rep firms an opportunity to play an even more vital role in making newspapers an easier and better buy for national advertisers.

FEWER BUT LARGER FIRMS. As of its Sept. 12 issue, *Newspaper Rates & Data* listed 50 companies as representatives of newspapers to faraway advertisers. That's a sharp reduction from the 150 or so firms that existed several decades ago, according to Steven L. Seraita, executive vice president of Branham Newspaper Sales. The current list includes 13 state press associations as well as several firms that specialize by geographical location. American Publishers Representatives Ltd. of Toronto, for example, sells mainly to Canadian advertisers.

Such numbers "are kind of deceiving," however, because the shrinkage in the number of independent rep firms is exacerbated by the increase in the number of newspapers owned by groups, observes Sam W. Papert Jr., president of The Papert Cos. of Dallas. Two of the largest rep organizations are subsidiaries of newspaper groups: Newhouse Newspapers Metro-Suburbia Inc. and Gannett National Newspaper Sales, which serve those groups' member papers. Another large newspaper-owned rep firm is Newspapers First—a combination of rep firms organized by Knight-Ridder Inc. and The Times Mirror Co., plus a cooperative owned by several large independent newspapers.

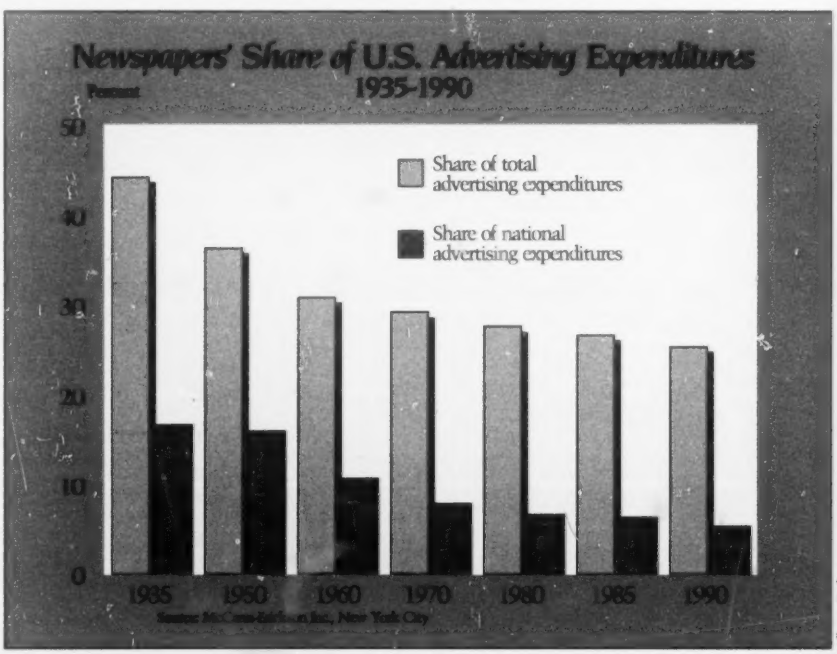
A few large newspapers represent themselves to national advertisers. The Washington Post has an office in New York City staffed by five salespeople and two assistants. At the same time, the Post retains an independent firm, Sawyer-Ferguson-Walker Inc. "It's to our advantage always to have as much representation as possible," explains Richard W. Tippett, the Post's national sales manager.

A handful of smaller papers are also representing themselves. The Greensboro (N.C.) News & Record dropped its rep firm in 1989. The Palm Beach Post of West Palm Beach, Fla., will end outside representation this month. Conversely, The Blade of Toledo—after years of self-representation—recently retained Branham.

Collectively, the moves toward consolidation and newspaper involvement in the field have led to the dominance by the three firms owned by newspaper companies and the five independents. (See list, facing page.) They have divvied up the business by specializing in different segments of the newspaper industry, according to circulation size.

Newspapers First primarily represents larger newspapers. It was formed last year by a merger of Knight-Ridder Newspaper Sales Inc. and Million Market Newspapers/Times Mirror National Marketing [presstime, June 1990, p. 110]. The result is a company with client newspapers in 16 of the top 30 U.S. markets and the potential to reach about 20 percent of the nation's adult newspaper readers, says G. Kingsley Anthony, president of Newspapers First.

The largest of the independents in terms of potential circulation reach is Sawyer-Ferguson-Walker, whose 47 clients primarily are papers with at least 50,000 circulation. "We represent about 23 percent of the daily readers in the U.S.," says Chairman Roy G. Blackfield.



Alberto Pacheco

Cresmer, Woodward, O'Mara & Ormsbee Inc., better known as CWO&O, strikes a middle course. With about 160 clients, it serves some larger papers but also has a regional department for smaller ones.

Also in the middle is Branham Newspaper Sales. "We (represent) about 160 newspapers, some large ones, some medium, some small," says Executive Vice President Seraita.

Nearly all of Landon's 600 clients are in small markets. Similarly, the Dallas-based Papert firm (the only member of the "Big Eight" with headquarters outside of New York City) represents 300 mostly small publications.

Which rep firms might merge next is a familiar topic of speculation. "A few years ago, someone took a pass at us, but nothing came of it," says company President Papert. "These things don't happen overnight."

NATIONAL SLIPPAGE. In absolute terms, national advertising in newspapers has actually grown over the years, as have all types of newspaper advertising. National advertisers' spending in newspapers rose from $148 million in 1935 to about $3.9 billion in 1990, according to McCann-Erickson Inc., a New York City ad agency. Of course, the growth is less when inflation is considered; the 1935 sales equal $1.4 billion in 1990 dollars.

However, as is true for other newspaper advertising categories, national's growth has slowed over the past few years and in recent months actually declined slightly.

Furthermore, over the years, national advertising in newspapers has not kept pace with other ad categories. National's share of all newspaper advertising declined from 19.4 percent in 1935 to 11.9 percent in 1990.

And as new forms of competition have entered the fray, newspapers have gotten a smaller piece of the all-media national advertising pie. It shrank from 16.6 percent in 1935 to 5.3 percent in 1990.

Newspapers' share of other types of advertising has also declined, but not as much.

One major factor that the ad reps say weakens newspapers' competitiveness is the differential between their national and retail rates. For years, papers generally have charged a much higher rate for national ads. In response, some national advertisers have tried various means to avoid paying the premium fees. For example, many automobile manufacturers often advertise through associations of local dealers, whose placements are charged at the lower retail rates.

"We caused 'national bypass,'" says Gerry F. Wilson, director of marketing for The San Diego Union and The Tribune.

Decades ago, Papert says, charging national advertisers a premium had a certain logic: "Camel cigarettes advertised in The Dallas Morning News could be bought anywhere the paper circulated, while the retail advertiser didn't have a lot of branch stores and his advertising was only good in the city zone." Therefore, the reasoning went, the national advertiser got more benefit from a newspaper's total circulation than the retailer did.

Now, says Papert, "You've got huge shopping centers and many, many stores of one name. Newspaper advertising is good wherever it goes."

Nonetheless, the gap between national and local newspaper advertising rates re-

Wishing You Weren't Here. If you're a publisher, the only way you want to visit the Supreme Court these days is as a tourist. Predictions vary, of course, but it's evident that a libel hearing before this newly-constituted Court is not going to be a day at the beach. But lest you think the odds are against you being here, know this: the number of libel cases in *any* court is on the rise. And more of them are getting to

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mains wide. The average differential reached a record 66.2 percent in 1987, according to a survey by the American Association of Advertising Agencies. That mark was far above the 37.9 percent spread recorded in 1933, the first year AAAA kept such records.

There's been some improvement of late. In 1989, the most recent year for which statistics are available, the differential was 62.2 percent—the lowest in five years. In announcing that figure, AAAA observed, "It is important to note that the differential varies greatly from paper to paper. The greatest differential is 254 percent. Conversely, many papers have no rate differential, and a few have national rates that are lower than their retail rates."

At the St. Petersburg Times, Advertising Director Alfred E. Corey Jr. says he favors lowering the differential. However, Corey expresses doubt that this action would lure more national ads unless "considerably bigger" papers did likewise. AAAA has found that the average differential climbs sharply as circulation increases.

Another inhibiting factor is that national advertisers have been shifting money from advertising budgets to promotion. The promotional expenditures, including in-store advertising and coupons, try to prompt consumers' purchasing decisions based on impulse and short-term price advantages.

> *"We don't even call ourselves a rep firm anymore."*
>
> **Robert W. Keim**
> **Landon Associates Inc.**

"The economy is being driven by short-range objectives," explains Professor Stanley I. Tannenbaum, chairman of the advertising/marketing communications sequence at Northwestern University's Medill School of Journalism. "The consequence is that more marketeers are putting money into sales promotion."

He continues, "Four or five years ago, 70 percent of advertisers' budgets were in advertising and 30 percent in promotion. Today, those percentages are reversed."

DIVERSIFICATION. Newspaper representative firms first responded to such market changes by creating departments to pursue advertising besides national. As some national advertisers moved spending into retail, the rep companies developed retail operations to solicit those dollars.

Branham has maintained a retail department for 25 years, says Seraita, adding, "We now have a computerized databank that can provide our customers with information on 1,800 retailers."

Ironically, those retail departments set up to pursue national advertisers in local disguise have also helped newspapers chase retail companies that now have a more regional or national orientation. Thanks to computerized communication systems and other advancements, many retail chains' headquarters now make advertising decisions once left to local managers. "The process is similar to national advertisers' decision making," observes Anthony of Newspapers First.

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For similar reasons, rep firms have developed classified departments to call on the increasing number of companies that recruit employees nationally.

Co-op departments have been another common addition, as the reps follow the national advertising dollars spent on promotion. Branham, for instance, has an exclusive license with the Advertising Checking Bureau, the cooperative advertising consulting and research firm based in New York City. The rep firm hopes the arrangement will provide its clients with an inside track on co-op advertising opportunities.

Rep firms are also developing services to help newspapers compete with other media. Newspapers First has been working for nearly a year on a computerized billing and ordering service designed to simplify national newspaper buys. "It's hardly news to anybody that most national advertisers find newspapers difficult to deal with," says Anthony. "There has to be a unified approach to selling our fractionalized medium."

Rep firm executives and their clients say the drive to meet advertiser needs probably is most realized in the formation of networks [presstime, Jan. 1991, p. 22]. "If there's a trend in rep firms, that's it," says Henry K. (Buzz) Wurzer, marketing development manager for The Hearst Corp. Newspapers Division.

Landon, which leads the networking boom with 106 groupings that involve 420 newspapers, developed "an operating strategy" of diversification 15 years ago, says Executive Vice President Keim. The company subsequently formed retail, co-op and recruitment advertising divisions, and started circulation and classified consulting services.

In May, Landon began advising newspapers on voice information services, and it plans to do so on alternate delivery and database marketing. "Our view has been to provide middle market newspapers with the same resources as newspapers owned by a major chain," Keim says.

And, as of Sept. 1, Landon has been a broker of Maxwell AD/SAT services. The rep firm serves as the sales agent for its newspapers and for advertisers using AD/SAT's satellite delivery and reservation systems. Landon is hailing the tie-in as yet another part of its "one-stop service" for clients.

"We don't even call ourselves a rep firm anymore," says Keim. "We're a national sales and marketing company."

One characteristic these companies do maintain, emphatically, is that they're *newspaper* rep firms. "We had a radio department in the past," recalls Papert, who says other rep firms have also experimented with other media. The reps concluded that simultaneous selling of other media is a conflict of interest.

"You can't sell with two hats on," says Papert.

COMMISSIONS. Changes in the marketplace and in the rep companies' services have inevitably changed how the rep firms are compensated.

Traditionally, newspapers have paid independent reps a portion of their national advertising revenues, averaging about 10 percent. Larger papers generally could negotiate smaller percentages by pointing to the greater volume of national business they attracted.

Newspaper-owned reps are handled differently. Newspapers First, for example, gets a percentage of its client-owners' total revenues. That means, says Anthony, "we don't have to turn the meter on" and charge fees when it seeks advertising other than national.

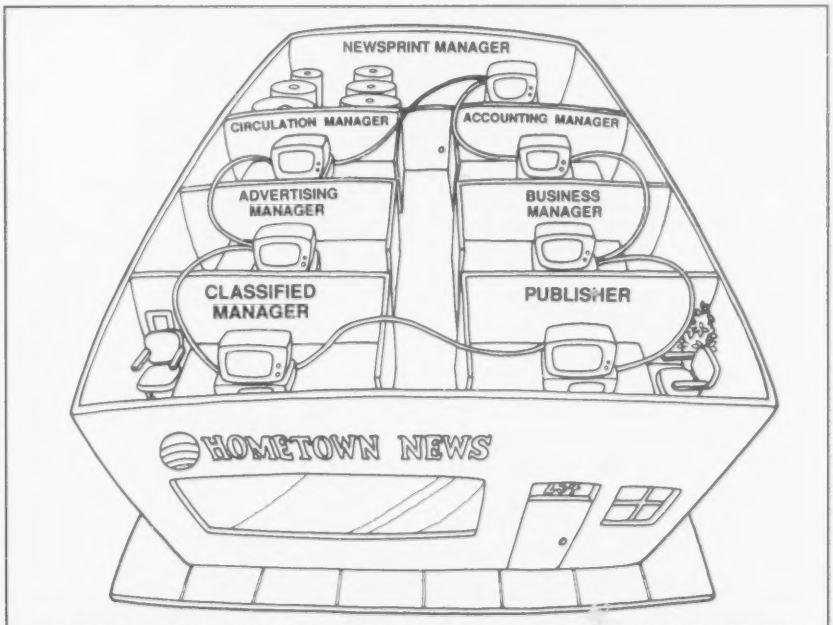
Given the independent representatives' increasing involvement in generating all kinds of business, many are now asking that their compensation be based on the broader array of services.

Seraita says Branham contracts with some clients for a percentage of total display-advertising revenue. This approach has encountered resistance among the independent reps' clients. "Most newspapers won't let them get their hands in their display pockets," comments St. Petersburg's Corey, adding that in his opinion the rep firms "don't do that much to" earn extra compensation.

Corey and other newspaper ad executives, as well as the rep firms themselves, agree the most likely evolution of rep firms' compensation is a fees-plus-incentives approach. Under that setup, the reps would be paid fixed amounts for certain services and for representation across a range of advertising. Bonuses would be paid for exceeding certain sales levels.

This makes sense, says Stephen W. Bernard, advertising director of the Dayton (Ohio) Daily News, inasmuch as "newspapers are customizing rate packages to their own customers."

Indeed, Bernard says, "Rep firms and newspapers are changing in concert." □



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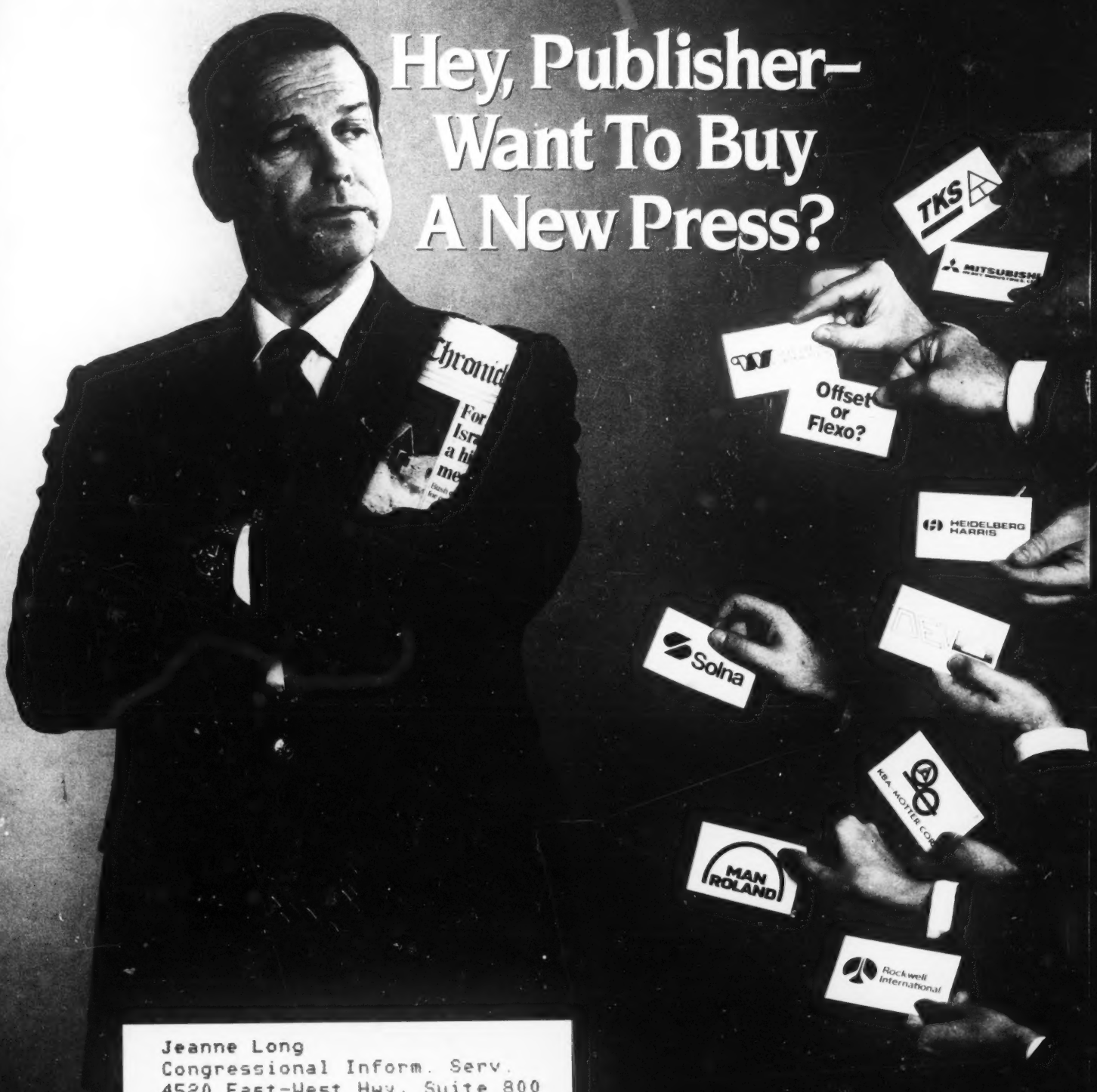
The Journal of the American Newspaper Publishers Association

1992 Election Preview: Endorsements, Political Ads

Hey, Publisher– Want To Buy A New Press?



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18 Special Report *Irony rules the newspaper press world. Press technology is dazzling, and newspapers can choose from more printing processes then ever before. But sales are virtually non-existent, and press companies are not optimistic for 1992. Meanwhile, the technology continues to mature. Newspapers with new presses can print more color, flexographic presses have become a solid option, and six-page-wide presses or future computer-to-press technology may expand choices even further.*

6 Election '92: endorsements *In 1988, a majority of papers did not endorse a candidate for President. This time more may take a stand.*

10 Election '92: advertisements *A new study delineates why newspapers are consistently overlooked when political candidates are buying advertising.*

26 Environmental audit *Conducting a voluntary inspection can help prepare newspaper employees for the close scrutiny of government regulators.*

28 Above ground *From entertainment-oriented underground weekly to multimedia success story, the Boston Phoenix soared straight to its niche.*

34 Profile: Jerri Eddings *This Baltimore Sun foreign correspondent reports from South Africa through the eyes of a black American.*

35 Essay: Agenda setting *A journalism professor says newspapers can and should establish the issues for the 1992 presidential race—starting now.*

40 Revisiting the First *Does a changing world mean a change in the First Amendment? Delegates at the First Amendment Congress debate the issue.*

44 Community involvement *The last of 12 reports from newspaper think tank New Directions for News describes how to connect with readers.*

46 RBOCs redux *Legislative battles, court tests, ad campaigns, editorials—they're all part of the fight for the electronic information marketplace.*

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(Cover photo by Lightscapes.)

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Newspapers Must Work

New study shows that many campaign officials choose other media

BY RUTH ANN WEAVER-LARISCY
and SPENCER F. TINKHAM

Many top political consultants and campaign managers steer their congressional clients away from newspaper advertising on grounds that newspapers treat candidates unfairly and deliver questionable impact with voters, a new national study shows.

The study also shows clearly that newspapers must change their ad sales techniques dramatically if they want a larger share of political advertising dollars in the 1992 congressional campaigns.

Those dollars are worth going after: Campaigns for the U.S. Senate and House reported spending $445 million in 1990, according to the Federal Election Commission. Of those dollars, newspapers got just an estimated 7.5 percent—about $33 million.

Weaver-Lariscy and Tinkham are on the faculty of the Henry W. Grady College of Journalism and Mass Communication at the University of Georgia.

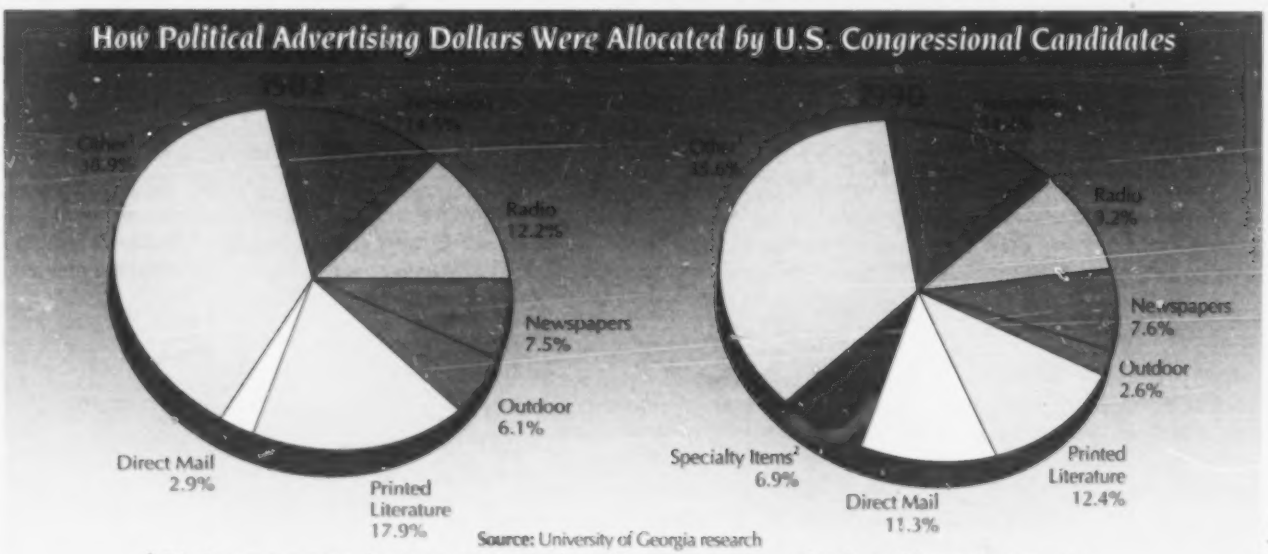
Newspapers can get a larger share next year, but it won't be easy. These conclusions emerge from a survey of candidates and interviews with political consultants.

In the survey, conducted for the University of Georgia's James M. Cox Jr. Institute for Newspaper Management Studies, a questionnaire was mailed to all candidates in competitive races for the U.S. House of Representatives one week after the 1990 election. Usable responses were received from 323 individuals—a 52-percent response rate. Respondents were divided almost equally between Democrats and Republicans, losers and winners. Incumbents and challengers responded in representative proportions to their actual numbers.

Then, earlier this year, 36 in-depth interviews were conducted with political media consultants in Washington, D.C., and at a conference of the American Association of Political Consultants in Williamsburg, Va. The consultants are Democratic and Republican campaign managers/advisers for candidates for the U.S. Senate and House, state houses, and the White House.

The research found strong tendencies to pass over newspapers and make advertising buys instead with television, direct mail (up 300 percent between 1982 and 1990) and, increasingly, cable TV. Here are some specific reasons given:

- Consultants say newspaper ad staffs are arrogant and difficult to work with, sometimes creating the impression that political advertising is beneath their publications' dignity.
- Although they say some newspaper advertising is advisable in most campaigns, many consultants warn candidates against spending much money on it because they don't believe newspaper advertising or news coverage influences voters. Consultants favor the mass impact of television and the target marketing strengths of direct mail.
- In advising candidates to buy at least a little newspaper advertising, some consultants say they believe it will generate favor-


How Political Advertising Dollars Were Allocated by U.S. Congressional Candidates
1982
Other[1] 38.9%
Radio 12.2%
Newspapers 7.5%
Outdoor 6.1%
Printed Literature 17.9%
Direct Mail 2.9%
1990
Other[1] 15.6%
Radio 9.2%
Newspapers 7.6%
Outdoor 2.6%
Specialty Items[2] 6.9%
Printed Literature 12.4%
Direct Mail 11.3%
Source: University of Georgia research
[1]"Other" encompasses non-advertising expenditures such as polling, staff expenses, consulting fees and door-to-door canvassing.
[2]Specialty items include bumper stickers, yard signs, buttons and other items. Category was not included in 1982 questionnaire.

Alberto Pacheco

Hard for Political Ads

because they don't believe newspaper ads have impact with voters

able news and editorial coverage. One consultant avers that only by buying ad space can candidates get fair coverage. Others say buying ad space in newspapers—weeklies and dailies—is advisable early in a campaign to ward off unfavorable coverage.

There is near unanimity among consultants on how newspapers can increase their political ad revenue. Among their suggestions:

- Publish firm policies on acceptance and positioning of political ads to combat a widespread perception that some candidates are treated unfairly. Many consultants, for example, say they suspect selected candidates' ads receive advantageous positioning.
- Devise strategies to attract readers to political coverage, motivating candidates to use the medium more extensively. Several consultants also suggest candidates might assign higher priority to newspapers if they offer same-day publication of paid rebuttals to editorials.
- Realize that newspapers don't detract from their watchdog image by aggressively selling political advertising.

Surprisingly strong negative attitudes toward newspapers emerged from our survey and interviews.

For example, even among those respondents who did use newspaper advertising, more than half (51.5 percent) rated it to be of "no value" or "little value" in their campaigns.

Across the board, television is perceived as preferable to newspapers. Even when asked which medium is more "credible and prestigious," characteristics traditionally assigned to newspapers, respondents rank television higher. Broadcast media as a group—television, radio and cable TV—are ranked higher than newspapers in availability as an advertising medium, ability to target specific audiences and ability to deliver large audiences.

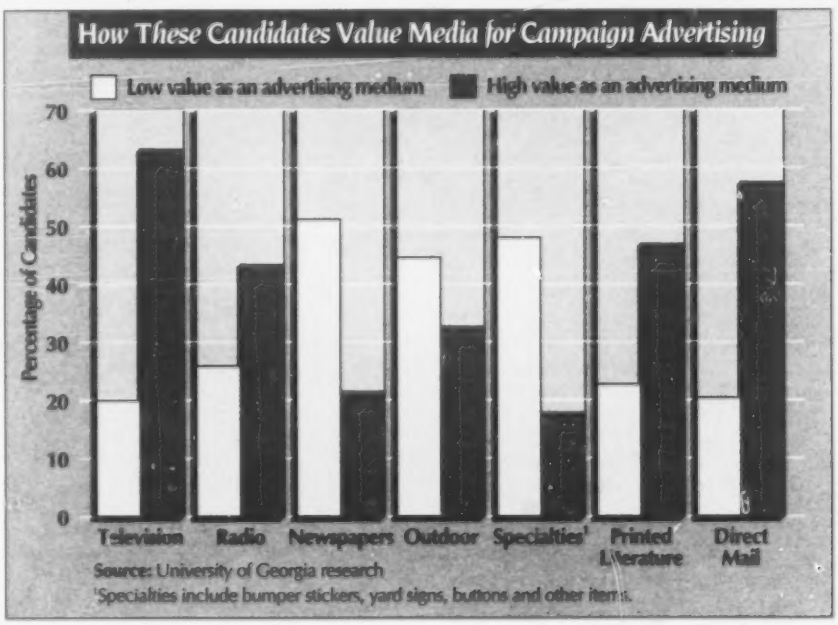
SOUNDING OFF. Various consultants comment bitterly about what they say is newspaper arrogance and inability to deliver impact. Washington, D.C.-based Democratic consultant John Franzen, whose credits include the successful U.S. Senate bids of J. Bennett Johnston and Timothy A. Wirth, says, "There's a certain sense of blackmail involved in virtually all print coverage. With weeklies that are owned by chains, sending them checks affects coverage in several markets."

Political consultants say newspaper ad staffs are arrogant and difficult to work with.

Republican consultant Don Ringe, whose successful efforts from the Washington, D.C., area include gubernatorial races in North Carolina and Florida, and Senate races in Colorado and Indiana, makes similar points: "I'll tell you unequivocally what I and virtually all media persons I know recommend. In a statewide race, first thing we're gonna do is write a whole bunch of checks to every weekly and every local daily . . . for X amount of advertising space. Otherwise they won't print your stuff. It's just that simple."

Democrat Karl Struble, partner in the Struble/Totten firm in Washington, D.C., that successfully represented U.S. Sens. Carl Levin and Thomas A. Daschle as well as U.S. Rep. Timothy P. Johnson, echoes the blackmail theme: "I don't recommend newspaper ads. About the only reason campaigns use newspaper ads . . . and this is not true for your bigger dailies . . . is because it affects their endorsement policy."

Offering a different angle is John Macks of the Washington-based Democratic firm Doak and Shrum, whose clients have included U.S. Rep. Richard A. Gephardt, U.S. Sens. Howard M. Metzenbaum, Paul Simon and Alan Cranston, and Govs. Zell Miller of



Alberto Pacheco

Georgia and Robert P. Casey of Pennsylvania. "I don't think (that newspapers) punish candidates who don't advertise. I think they punish candidates they don't like," he says.

Some consultants describe newspaper advertising as "a waste of time and money" and unable to deliver impact with voters because individual messages get lost in advertising clutter. Struble and several others note that newspapers are an "active" medium, requiring reader effort and thus having limited impact on passive people.

"The problem with newspaper advertising," according to Republican Greg Stevens of The Media Team in Alexandria, Va., (which handled George Bush's presidential campaign as well as several U.S. Senate races), "is that it requires an active participation on the part of the voter, which in this country unfortunately has been reduced to near zero. And unless newspapers can package their political coverage in such a way as to draw people in, there's no point in advertising, from a politician's point of view."

Reflecting nationwide growth of direct mail in political campaigns, many consultants say they need the target marketing strengths of that medium.

"We do use print in a very limited fashion," says adviser John Knapp of Washington-based Squier, Eskew, Knapp, a leading Democratic firm handling presidential and senatorial candidates. "What I've discovered over the years . . . is that we're better off to pull from print and put into cable. Cable has proven to us to be more effective at reaching specific groups."

NEWSPAPERS' STRENGTHS. Despite their criticism of newspapers, consultants and politicians alike say newspapers have strengths in the battle for political ad dollars and can take steps to increase their share.

Among those strengths:

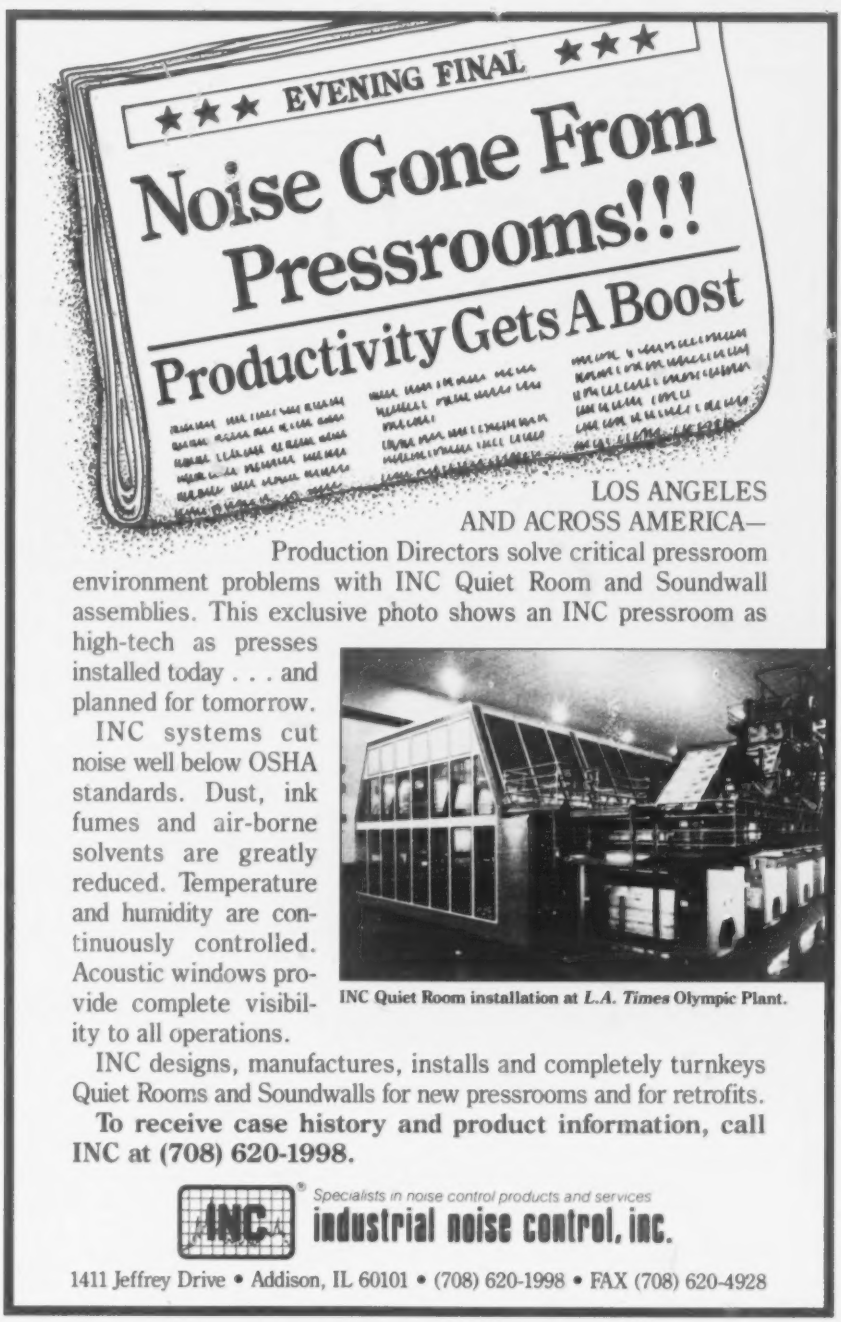
• *Newspaper advertising has impact in local elections.* Says one consultant, "You have to use newspapers for judges, city council, local stuff. But it just isn't worth it in any statewide race."

• *Newspaper advertising is regarded as important for endorsements.* Another consultant sums up the sentiments of several: "There is one kind of newspaper advertising that is worth doing—the very last Sunday before the election. If you can, put together in local papers a substantial list of local endorsements. People have a tendency to go through those lists."

Although several consultants complain that newspaper ad rates are relatively high, cost does not emerge as a reason for negative attitudes toward newspapers. Several consultants, in fact, point out that they willingly pay even higher rates for some TV advertising.

Consultants suggest newspapers can increase their share of political advertising by selling guaranteed placement, whenever possible. They say guaranteeing position next to an article about a candidate would draw substantial ad volume, and that guaranteeing a right of response to an editorial through an ad published the same day would practically force candidates to spend more with newspapers. There was no suggestion that consultants or candidates should have the right of prior review of news or editorial content—only that they be notified of the general nature of what is to be published and that they be given the right to advertise on the same day.

Also suggested: Don't run political ads in bunches. Seeing a political message disappear in a cluster of ads is a turn-off. As for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attempting to sell campaign officials on inserts, don't. Consultants are nearly unanimous in viewing them as a waste of campaign funds.

Rather, consultants say, newspapers should create selling techniques to emphasize these factors:

First, newspapers are most effective in presenting endorsements and allowing candidates to respond to negative ads (on television and elsewhere) and to "set the record straight" when under attack. Ad salespeople should stress this type of advertising. "We do use some print," says Knapp, "usually for negatives that need correcting, setting the record straight. Sometimes we'll use it to provide a record."

Second, ad sales staffs should seek substantial revenue from local groups and independent supporters who can be sold endorsement ads, rather than banking solely on their ability to win larger portions of a candidate's campaign budget.

Equally important, newspaper executives should be aware that there are undercurrents of doubt among candidates and their advisers that newspapers are doing enough to pull readers into stories about political races or to make their editorial op-ed pages attractive forums where political issues are thrashed out.

Consultants suggest strategies to counter reader disinterest—and inspire candidates to use the medium more extensively.

One suggests newspapers develop "ad watch" columns that critically examine a candidate's advertising in all media, then invite paid rebuttal by the candidate or consultant.

Several other consultants *invite* critical dissection of their candidates and campaigns—and would pay for the right to respond.

Some suggest that newspapers pair up with local broadcast stations in regular, critical examinations of candidates, thereby generating greater voter interest. "That would encourage me to advertise, because I'd know that the best voters out there would be reading those stories," one says. "If I know they're critiquing my stuff, I'll be more inclined to buy space that day—close by, not over in the food section." □

> *"First thing we're gonna do is write a whole bunch of checks to every weekly and every local daily . . . for X amount of advertising space. Otherwise, they won't print your stuff."*
>
> Don Ringe
> Washington, D.C.-area political consultant

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The Journal of the American Newspaper Publishers Association

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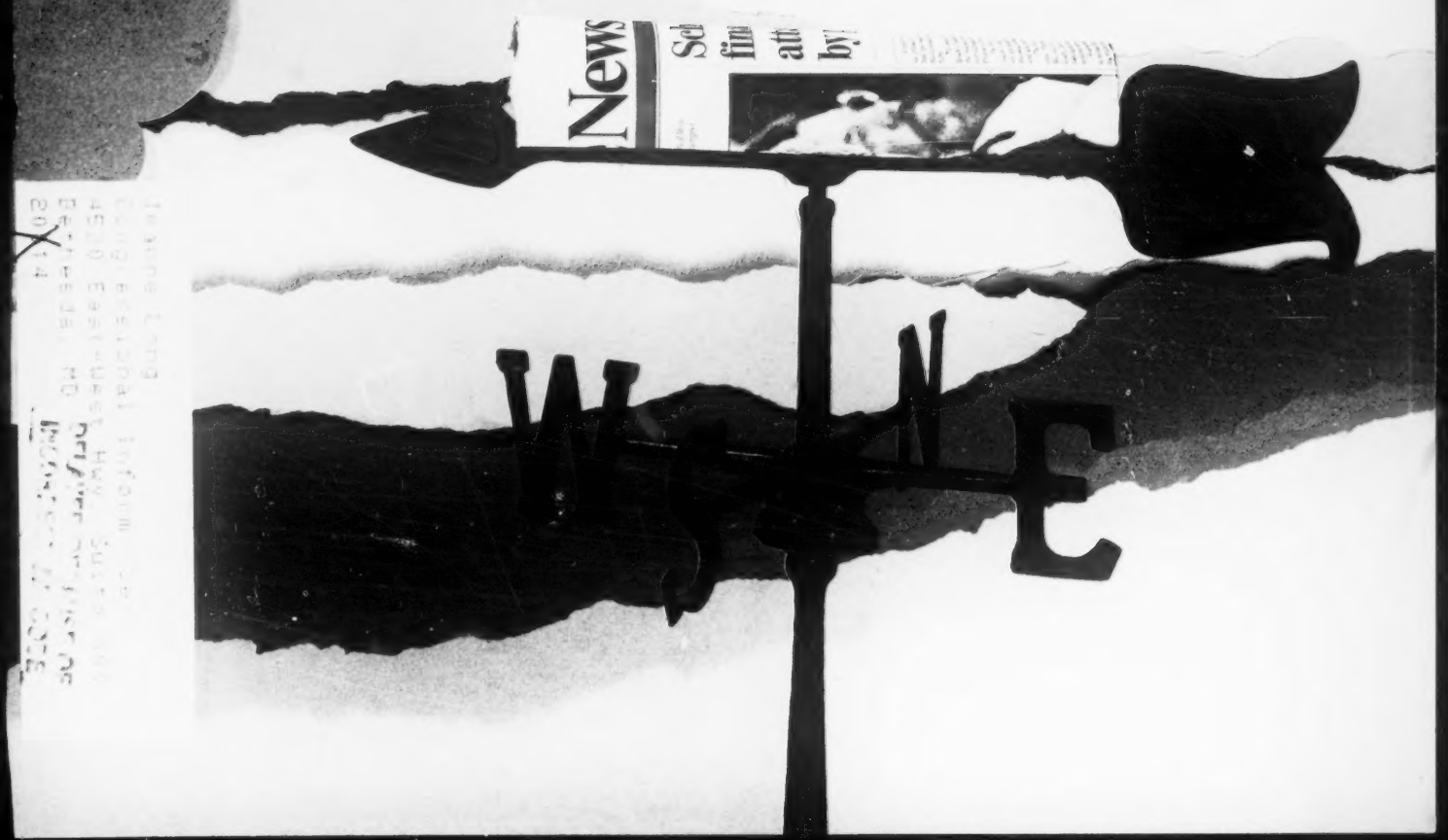

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JANUARY 1992 VOLUME 14, NUMBER 1

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6 Health-care ills *Rising health-care prices are causing some newspapers to shift part of the burden to employees, with little outcry.*

10 Managing diversity *Publishers are seeking training to learn how to deal with their increasingly multicultural work forces and communities.*

14 Stinging the press *Newspapers may be easy to fool with phony stories and ads, but a variety of strategies can help them overcome their gullibility.*

29 Room to let *Stepped-up scrutiny from government regulators and private activists is forcing newspapers to give housing ads a closer look.*

34 Newspaper hotbed *The San Francisco Bay area has 20 dailies, even more weeklies, and a wealth of affluent, educated readers to fight over.*

38 Profile: James Shaffer *With wide experience in seven newspaper markets, this top Guy Gannett executive is both a student and a teacher.*

39 Essay: European Community *A Dutch newspaper executive says Europe's new economic unity may spell problems for the Continent's press.*

41 Learning to persuade *A lobbying expert offers newspaper representatives suggestions on how to win over lawmakers on the legislative battlefield.*

58 Leo Bogart on advertorials *The line between advertising and news can become blurred, but newspapers don't have to compromise on either.*

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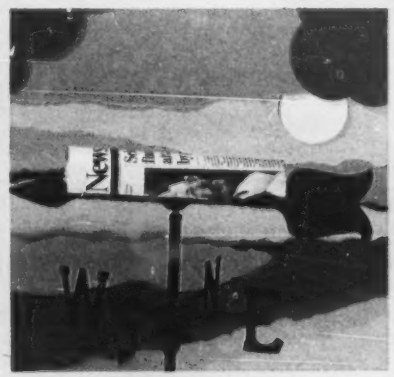

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Daniel Renero

Amid Uncertainty, Forecasters Look For Signs of Recovery

BY WALT POTTER
presstime staff writer

When will the sun of economic recovery shine through the gloom of the newspaper industry recession?

Sometime between the middle and the end of the year, according to many newspaper executives and most economists and stock analysts who follow the industry. However, an increasing number of newspaper people aren't pinning their hopes on any significant improvement until 1993.

Most prognosticators are hedging their bets about the industry's economic future. Their consensus: Any economic recovery will be weak. The most upbeat among them say the recovery may have already started last fall, but the most pessimistic are worried the economy may be heading into another recession.

Widely followed forecaster Robert J. Coen says advertisers' spending in newspapers may grow about 6 percent this year. In 1991, advertiser spending in newspapers fell about 5 percent, he says. If that figure isn't significantly revised, it would be the worst decline in percentage terms since 1942. Advertiser spending in all media fell 1.5 percent last year, the first such decline since 1961. Overall growth this year will be about 6.2 percent, Coen says.

Whether rosy or gloomy, however, the forecasters are less confident about their predictions than at any time in recent memory. Their track record since the recession started has not been good. Coen, for example, twice reduced forecasts of growth last year before conceding there was a downturn [presstime, Dec. 1991, p. 48].

"Every economist is having trouble seeing his predictions coming true," says Bruce E. Thorp, media analyst for Provident National Bank of Philadelphia. "It seems we've all put our predictions off longer and longer."

The cause of this uncertainty, says Thorp and other newspaper analysts, is that consumer behavior in this economic cycle has been very cautious, a sharp contrast to the free-spending approach of most of the 1980s. Observes John Morton, an analyst with the Lynch, Jones & Ryan securities firm in Washington, D.C., "Consumer spending is two-thirds of the economy and a whole lot of newspaper revenue; and apparently, consumer sentiment is increasingly negative."

Even the relatively optimistic Coen, senior vice president and director of forecasting for the McCann-Erickson Worldwide advertising agency in New York City, believes newspapers will "gradually and sluggishly fall back up the hill."

Whenever that economic rebound dawns, it will be a welcome break from the dark, dismal clouds of diminished profits and economic adjustment that have hung over the newspaper industry for two years now. In 1990, U.S. newspapers endured the first decline of advertiser spending in their pages since 1961. Most newspaper analysts are even surer than Coen that when all the 1991 statistics are in, they will reveal another, still deeper drop in ad spending—the first back-to-back downturn since at least the Great Depression.

The impact on industry profit levels has been severe. The average profit margin for newspaper companies has dropped by about one-third in the past four years, estimates Kenneth T. Berents, vice president/senior analyst for the Alex. Brown & Sons Inc. securities firm in Baltimore. The newspaper companies that analyst Morton follows saw their operating profits decline more than one-fourth during the first nine months of 1991, compared with the same period in 1990.

Of course, nearly all newspapers still make profits, and relatively good ones at that. Most other businesses would envy the 16 percent margin that Berents estimates the newspaper industry averaged in 1991. BusinessWeek magazine's recent study of the nation's "1,000 most valuable companies" found those firms had an average profit margin of 4.6 percent in 1990.

A recovery this year should improve newspapers' profit picture, says Berents, who is "hoping we can hit 18 percent in 1992." Morton is more conservative, predicting the newspaper companies he follows will have an average profit margin "in the 12 to

> *"Every economist is having trouble seeing his predictions come true. It seems we've put all our predictions off longer and longer."*
>
> **Bruce E. Thorp**
> **Provident National Bank**

13 percent range," up from the 10 to 11 percent those companies earned in 1991.

Even so, the outlook for newspapers is not nearly as sunny as it was during the mid-1980s when average annual margins reached 24 percent, according to Berents. Adjusting to this relative distress has led to employee layoffs unprecedented in recent history, overall belt tightening and a search for new revenues by newspapers across the country.

The situation is at least as grim in Canada. Newspapers there have been hit by a triple blow—the recession, last year's imposition of a value-added tax on goods and services, and the dampening impact of a strong Canadian currency on the country's export-driven economy, says Charles Dunbar, research manager for the Canadian Daily Newspaper Association. Canadian newspapers ended 1991 with total advertising linage down 8 percent, he says. The economy is now so moribund that he predicts any recovery this year will be no more than a weak rebound, quickly followed by another recession. "Even a dead cat will bounce the first time it hits the ground," says Dunbar.

Regardless of how well newspapers weather the recession, they all face new challenges in garnering revenue from advertising.

Their chief worry is the changing retail sector. It still delivers the largest chunk of newspaper revenues, but it is declining relative to other categories. (See chart, p. 24.) Recently the larger retail companies have been digging out from under the heavy debt many of them acquired during the corporate acquisition-mad 1980s. But they are also steering increasing portions of their ad budgets to promotion or to such newspaper rivals as direct mail.

Meanwhile, the recession has walloped classified advertising—a category newspapers have relied on more heavily since its eye-popping growth in the last decade. National advertising also continues to shrink [**presstime**, Nov. 1991, p. 8].

By contrast, circulation has recently become a faster growing income source. Industrywide, price increases boosted circulation revenue 10 percent last year, estimates Jack Butcher, vice president of The Tampa Tribune. "Newspapers have taken the tack that the reader has to pay more, (while) during the 1980s advertisers bore the brunt," he says. He expects the upward pricing trend to plateau briefly this year as newspapers try to recoup lost readers.

Newspapers have gotten additional relief from their own austerity measures—cutting back on personnel, searching everywhere for efficiencies, and bargaining successfully for low newsprint and ink prices. "Sharper-penciled newspapers have done an excellent job on controlling costs" during 1991, says Berents. "Most publicly held newspapers are not up more than 1 to 2 percent in expenses," a trend he expects to continue.

For their part, newspaper trade associations have paralleled the steps their members are taking. ANPA and NAB are both restructuring, and six sibling associations are preparing to merge with NAB in a new entity, Newspaper Marketing Inc. Such moves both cut costs and "more tightly focus on what the newspaper industry wants from us," says ANPA President and Chief Executive Officer Cathleen Black. "We're looking at what we must do and what our capabilities are with a fresher set of eyeglasses," she says.

"Newspapers have taken the tack that the reader has to pay more, (while) during the 1980s advertisers bore the brunt."

Jack Butcher
The Tampa Tribune

WHENCE THE RECOVERY? More than one-fourth of the nearly 200 newspaper publishers, general managers and ad executives who responded to the Alex. Brown Newspaper Industry Survey in October felt the recovery will be delayed until 1993—more than twice the number with that response in the firm's July poll. However, most of the respondents still believed recovery would begin in the second or third quarter of this year. Nearly nine in 10 predicted that whenever it does start, it will be weak to mild.

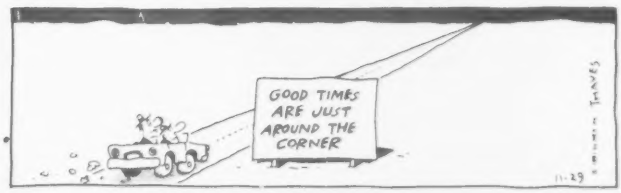
Analyst Thorp is one of those who predict a late-1992 recovery. He adds that any recovery this year will make newspaper companies' performances look good in comparison with the last two disappointing years. "I do look for a weak recovery but strong comparisons," he says.

It is difficult to predict with confidence, says Thorp, because "the consumer environment has really changed." In earlier economic cycles, individuals would take on extra debt to maintain their lifestyles, and that enabled them to keep spending and pull the economy out of rough spots. Now, however, consumers apparently have decided to reduce debt and hold back on spending.

Today's Newspaper Forecast

Alberto Pacheco

Frank & Ernest® **By Bob Thaves**



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Christine D. Urban, president of the Urban & Associates Inc. newspaper research and consulting firm in Sharon, Mass., believes this consumer caution portends a structural change in people's buying habits. People under 35 who "formed their buying habits during the go-go 1980s" now have to deal with "issues of economic mortality" for the first time, she says. (See story, facing page.)

Even in the face of this uncertainty about consumer behavior, McCann-Erickson's Coen retains his relatively positive viewpoint. When making his prediction for 6 percent growth in newspaper ad spending at December's annual PaineWebber Inc. conference on the outlook for the media, he said, "I'm more optimistic than anybody in this room, and I hope I'm right."

Although Coen is cautious about the dampening effect continued high unemployment would have on local ads, he points out that "if only half of the (local advertising) lost by many newspapers is restored, their revenues could enjoy nearly double-digit gains." In short, Coen believes things have "gotten so bad that they can't help but get better."

NAB economist Miles E. Groves reacted to that view by saying, "I would agree it's hard for it to get any worse than it is now, but looking back two years ago I never thought then that it would get this bad." Groves, vice president for operations and analysis at the bureau, says advertiser spending in U.S. newspapers was down between 5 and 7 percent in 1991. That's the worst annual decline ever recorded by NAB, which began keeping the statistics in 1948. Recovery this year will be very weak, Groves predicts, with advertiser spending up only about 2 percent over 1991.

It might be illustrative of the mood in newspaper offices these days that one of the most pessimistic outlooks at the PaineWebber conference came not from an analyst or economist, but from a newspaper executive. Jerome S. Tilis, vice president/marketing for Knight-Ridder Inc., saw ad spending in newspapers rising only between 1 and 2 percent this year, following what he calculated to be a 7 to 8 percent decline last year.

A brighter forecast comes from J. Kendrick Noble Jr., the media industry consultant and analyst who founded the PaineWebber conference 19 years ago. He joins Coen in believing the newspaper advertising recovery may have begun in late 1991. He expects newspaper advertising revenue this year to jump 6.5 percent. (See commentaries, p. 25.) Noble calculates newspaper advertising *revenue*, rather than the advertising *expenditures* that most other observers measure. The latter includes advertisers' costs to produce their ads, such as fees to advertising agencies. "There'll be a modest improvement in 1992," he says. "The recovery will be strongest in 1993."

REGIONAL REPORT. When the rays of recovery do start breaking through, they will shine with different degrees of intensity upon different parts of the country. "The fact is, newspapers don't compete in a national market. They compete in local markets," notes Gordon Medenica, vice president of corporate planning for The New York Times Co.

The Northeast, for example, will stay in recession until late 1992 and then climb slowly out of the trough, Medenica believes. At the same time, all the way across the country, at least one corner of the Pacific Northwest was never hit to begin with. Shaun O'L. Higgins, director of marketing and sales for The Spokesman-Review and Spokane Chronicle, says his newspaper's growing market in eastern Washington state "has managed to miss the recession and will continue to manage well."

Those regional differences were pointed up in the responses to two surveys by the Alex. Brown company last year. For example, in the October survey, 58 percent of newspaper executives responding from the Northeast revised their 1992 financial expectations downward from their answers to the earlier survey in July. Overall, 40 percent

New 'Barometer' May Spot Turnaround First

When recovery for the newspaper industry begins, it may first be detected by officials of the International Newspaper Financial Executives in Reston, Va., thanks to a new forecasting tool the organization has developed.

In July, INFE produced its first Newspaper Financial Barometer, a monthly yardstick of industry performance that draws on reports from individual newspapers around the country.

What makes the INFE yardstick different is how fast it's put together, usually within 20 days of when the subscribing papers complete their monthly financial compilations. The survey's every-30-days frequency is rare, too, says Jay G. Matthews, INFE special projects director.

"As far as we know, no other (such survey) is put out as quickly," says Matthews, who puts together the barometer. "So, when the turnaround starts, we believe we'll see it here first."

It's a reasonable expectation, says INFE Vice President/Executive Director Robert J. Kasabian, because it's happened before. "When the White House was saying the economy was turning around last summer," he says, "we were seeing downturns in some of the barometer's key ratios, and sure enough the economy didn't turn around."

Kasabian cautions, however, that even though the geographic and size diversity of the newspapers contributing to the survey is sufficient for an accurate look at the industry, the number of participants—30 and growing—is too few. Nonetheless, in the barometer's first five months, says Matthews, it has produced a picture of the newspaper industry that largely tracks the depiction of analysts and others who follow the business.

INFE constructs the measurement by gathering data from barometer subscribers each month. Using this information, it produces a report that examines changes in linage, revenues, days sales outstanding and other factors.

In all, the INFE barometer analyzes 30 different financial ratios and statistics, including return on assets, subscribers per employee and total benefits to total compensation.

The INFE barometer is available only to participants, who pay $125 to $175 a year for the service depending on method of delivery—mail, facsimile or diskette. More information may be obtained by calling Matthews at (703) 648-1162.

Most Problems May Be Cyclical, but the Secular Ones Are the Scariest

Is the newspaper downturn cyclical or secular? Or, more to the point, how much is due to the overall economy's downturn, how much to structural challenges confronting the industry?

Most of the executives, analysts and consultants contacted for this Special Report believe the majority of newspapers' current woes are caused by the faltering economy; that is, they are cyclical.

Nevertheless, they are also convinced that when the economy turns up again, the newspaper business will not simply return to what it was. In other words, the secular or structural changes may not be the factors making the biggest impact on the bottom line right now, but they are the ones that will have the greatest long-term impact.

Those secular changes—or modifications in the world around newspapers—include changes in society's work and leisure habits that reduce the time available for reading, a younger generation more attuned to television than to the printed word, an increase in the number and kind of media competitors, a reconfiguration of the retail business, and some shifts in the buying habits of consumers themselves.

Of these, the effect on readership has been the chief worry among newspaper executives.

And the job of staving off reader loss is getting harder. One who believes the trend is for consumers to shift from print to electronic ways of getting news and other information is Benjamin M. Compaine, a long-time consultant to the information industry. Compaine, now head of Samara Associates in Cambridge, Mass., calls the development "the new illiteracy."

If these negative trends aren't reversed, says Kenneth T. Berents, vice president/senior analyst for Alex. Brown & Sons Inc. in Baltimore, daily newspaper penetration of U.S. households will fall to 40 percent by the year 2000. It was 67.8 percent in 1990.

New competitors have also weakened newspapers' ability to hold back the decline in their share of advertising.

"The part that's not talked about a whole lot is that newspapers during the period *before* the recession were losing share," notes Christine D. Urban, president of Urban & Associates Inc. in Sharon, Mass. And more competitors are on the way. The huge regional Bell operating companies late last year were freed from court restrictions on their ability to offer information services over their own telephone lines. (See story, p. 45.)

Further, these competitors are fighting for slices of a shrinking advertising pie. Structural changes have occurred both in the way consumers buy products and in how retailers sell them, says Urban.

The young consumers whose debt-boosted spending helped to propel the economic expansion of the 1980s are "recession virgins," she says. "Now, they have to think (for the first time) about whether they'll have a job." That jolt to young consumers' confidence, combined with the debt they took on to buy "a house full of furniture, closets full of clothes . . . could mean a lengthy, slow recovery" in consumer spending, she concludes.

In the face of these changes, advertisers are also altering their spending patterns, shifting funds from advertising budgets to promotion in an effort to stimulate purchases by these increasingly cautious, time-poor consumers.

Leo Bogart, former executive vice president of the Newspaper Advertising Bureau and now adjunct professor of marketing at New York University, notes that the "rate of decline in newspapers' share of the advertising market has not matched the rather sharp decline in newspaper penetration." But he thinks advertising loss might eventually catch up if newspapers don't do something about it.

The worry over whether structural problems underlie newspapers' declining profits is widespread. A survey conducted last summer by the Alex. Brown firm found that at least two of every three of the publishers, general managers and ad directors who responded believe such structural problems exist.

However, optimism persists. Gordon Medenica, vice president of corporate planning for The New York Times Co., says the readership decline has bottomed out. He believes falling readership and advertising shares simply reflect "the typical dynamics of a mature industry. . . . We're still a huge medium. It could be 100 years before our business goes away."

Bogart also is confident that newspapers will survive. "I think what we're primarily feeling is the effect of the (overall) business picture," he says. But he quickly adds, "This is no excuse for newspapers to say, 'Oh well, we have nothing to worry about.' " —*W.P.*

of the survey's respondents had become more pessimistic.

Medenica says the financial, government and real estate sectors of the Northeast will shrink further before a recovery can begin in that region. The New England economy "is lousy," agrees Richard G. Wakefield, chief financial officer of Newspapers of New England Inc. "It's hard to see any improvement in the near term."

California, says Medenica, is another area that is suffering disproportionately, as the Golden State's huge defense-industry presence contracts.

Timing, as much as geography, has affected some newspapers' fortunes. "We went through a few real tough years in 1987 and '88," says Barry T. Peckham, vice president/controller for The Dallas Morning News. "Then, we came out of that to some extent in '89 and '90 when much of the rest of the country was moving into a real difficult period."

Conversely, Seattle eluded the recession until recently. "We had a great year in 1990," says Virgil Fassio, publisher of the Seattle Post-Intelligencer, "but in the last six months to a year we've gone down on all fronts—retail, classified, national."

And Spokane is still "playing catch-up" to the economic boom that earlier benefited such urban areas as Los Angeles and Seattle, says Higgins. "We're now seeing the retail growth most other parts of the country got during the 1980s" as retailers and services follow the people drawn to the relatively uncrowded Spokane area.

RETAIL'S ROCKY ROAD. Wherever they are, newspapers are concerned about retail advertising. Even as that traditionally largest newspaper ad category recovers, the NAB's Groves expects little more than 1 percent growth this year. That would follow an estimated 3 percent decline in retail advertising expenditures last year.

Other factors are at work here, in addition to the recession. The debt that retailers took on during the 1980s is still diverting spending from advertising to interest payments. However, the

impact of that development may be waning, says Gary L. Watson, president of Gannett Co.'s Newspaper Division. "A year ago we saw our losses among the larger advertisers as a result of the LBOs (leveraged buyouts)," he says. "The issue this year has been more softness from the medium and smaller retail advertisers." That affects newspaper economics because smaller retailers usually pay higher advertising rates. Declines in revenue per page "are a clear indication some smaller advertisers pulled back or disappeared," says Watson.

The extraordinary success of Wal-Mart Stores Inc. illustrates another problem affecting retailers. Last year, Wal-Mart became North America's biggest retailer while spending radically less on advertising than its rivals. Insofar as other retailers follow Wal-Mart's lead, newspapers will suffer.

"There are some retailers out there that have been very successful by advertising hardly at all, and Wal-Mart is the classic example," says Reggie R. Hall, executive director of the International Newspaper Advertising and Marketing Executives.

Wal-Mart, however, is beginning to spread from its rural roots into more populated markets. Late this year, it is expected to begin opening as many as 30 stores in the Chicago area and then move into other large metropolitan areas through the mid-1990s, according to ADWEEK magazine. Whether competition from the larger, established stores in these areas will make Wal-Mart advertise more frequently "remains to be seen," says Hall.

Another difficulty is that short-term profit pressures have driven retailers to shift money from newspaper advertising to promotions such as in-store ads and coupons.

The trends have combined, note newspaper statisticians, to cut advertisers' spending as a percentage of gross national product. That ratio has fallen from its 1987 high of 2.43 percent to 2.2 percent last year, says Groves of NAB. That creates "a double whammy" at a time when GNP itself is falling, Medenica notes. Further, newspapers' slice of the shrinking advertising pie has narrowed as competitors, including direct mail and cable television, have gotten stronger and more numerous.

Moreover, these factors exacerbate the impact of the economic recession, whose influence was nowhere more evident than in 1991's disappointing Christmas sales. Consumers generally kept their wallets closed, cowed both by fear of layoffs and by the heavy debt they took on during the 1980s. "There clearly is a problem with consumer confidence," says Groves. "It's very difficult to pick up even more debt when you're not sure you're going to have a job." Indeed, consumer confidence plunged late last year to the lowest level in 10 years, according to surveys.

Rodney Curtis, Concord (N.H.) Monitor

The cheery demeanor of financial officer Wakefield belies the newspaper woes in New England.

Newspapers have not been shy about raising rates, however. INAME'S Hall says 1992 newspaper retail advertising rate hikes are probably averaging 4 to 5 percent. Such increases were "probably a little less than what we were seeing in the mid-1980s," says Hall, who soon will become senior vice president, administrative services, of the new Newspaper Marketing Inc.

Adds Groves, "Among the people I've talked to, many are still trying to make their overall (revenue) objectives." The largest rate increases are coming in national advertising, while ad directors are "holding back on retail" rates, the NAB economist says.

Coen, Groves and Knight-Ridder's Tilis again disagreed on national advertiser spending in newspapers this year. Coen expects newspapers to gain 4 percent in the national category, while Groves and Tilis project a 1 percent increase. Coen says national was flat for newspapers last year, while Groves says national dipped in 1991 by 3 percent and Tilis says it was down 7 percent.

CLASSIFIED CONTORTIONS. When the recovery comes, classified advertising may bounce back more strongly than other categories. Groves is predicting a 3 to 3.5 percent increase this year, while Tilis thinks it will be 2 percent. Coen is, of course, optimistic, projecting a 10 percent increase.

Whatever the figure, it will be relative to 1991's very weak numbers; the recession has hit classified harder than any other category. Groves says classified advertising was down 5 to 6 percent in 1991 when employment, real estate and automobile sales hit the skids. Tilis says the decline was even more—13 to 14 percent.

That's a long way from the 1980s, when advertiser spending in newspaper classified pages nearly tripled to $11.9 billion while retail advertising nearly doubled to $16.5 billion.

Ronald G. Beach, classified advertising director for Knight-Ridder, says his group's classified results provide "a good snapshot of the industry," since Knight-Ridder includes major-market as well as small-market newspapers. Knight-Ridder's classified revenue was off 14.5 percent during the first 10 of last year's 12 reporting periods. Linage was down 9.3 percent.

Revenue from help-wanted classifieds in Knight-Ridder newspapers last year was down 26.2 percent, and linage was off 31.4 percent, in a category Beach says was "bleak across the country." Figures from The Conference Board support that conclusion. The New York City study group's Help-Wanted Advertising Index declined in October to a level nearly one-fourth below where it was a year earlier, and a spokesman said, "The layoff rate, which began to surge almost 13 months ago, shows no sign of running out of steam."

Knight-Ridder's 16.5 percent drop in classified revenue is a "snapshot of the industry."

Ronald G. Beach
Knight-Ridder Inc.

There may be room for even more cuts as newspapers reduce "ego circulation."

Kenneth T. Berents
Alex. Brown & Sons

Meanwhile, automotive classified linage actually grew 2.2 percent while revenue was down 4 percent. Volume discounts and "a spurt of optimism" brought on by the new car season accounted for the linage gains in automotive, says Beach. "Auto dealers like full-page ads, and you've got to discount that."

Real estate linage, the third pillar of classified advertising, was down 12.5 percent for Knight-Ridder, and revenue was down 14.1 percent. Still, real estate produced "kind of a bright picture in some respects," says Beach. "Several markets, such as in the Midwest and South, showed gains over the previous year."

Beach doesn't believe the situation will get any better this year, though. "Nothing of any significance for newspaper advertising" is on the horizon, he says. "As I see it, overall, 1992 will be a flat year. We're in a trough."

Gannett's Watson says his group's newspapers reported a similar picture, sustaining 30 to 40 percent declines in classified linage starting in late 1990. Recently, however, they're showing signs of life. "We have seen a recovery start on the classified side," says the chief of Gannett's 80 newspapers. "It's coming back about 1 percent a month."

But Beach, who also is a director and past president of the Association of Newspaper Classified Advertising Managers, says that the classified managers that he's talked to don't expect a return to the heady days of the 1980s.

REVENUE FROM READERS. With the downturn in advertising, many newspapers last year turned again to circulation for increased revenues. But while the industry's financial executives are banking that gain, circulation managers probably "will spend 1992 getting our numbers back," says The Tampa Tribune's Butcher. "There'll probably be only a 2 or 3 percent increase in revenue."

Last year's large revenue boost continued a trend. "Circulation revenue has increased dramatically over the last three to five years," says Butcher.

With these increases in revenues from readers, and the two-year drop in advertising revenues, circulation has begun to reverse the trend of the past decade by which circulation dropped from about one-third to about one-fourth of newspapers' combined revenue. Butcher notes, however, that these percentages vary by paper size; generally, the smaller the newspaper, the greater percentage of its revenue comes from circulation.

The aggressive pricing, however, contributed to a less fortunate result. Last year probably was a "loss year in terms of numbers of readers," says Butcher, who tracks circulation and readership nationally. The Audit Bureau of Circulations report for the six months ending Sept. 30 showed that significantly fewer U.S. dailies gained circulation than in previous periods, and many papers lost readers [**presstime**, Dec. 1991, p. 46].

Bruce Murray, circulation sales and administration manager for Newsday in Melville, N.Y., told the PaineWebber conference that U.S. daily circulation fell 1.5 to 2 percent last year while Sunday circulation was flat.

Both Murray and Butcher attribute the losses to price increases and the recession. Butcher notes that sales tax increases in some states also hurt, and Murray said that large newspapers were arbitrarily reducing costly circulation in distant areas. "There's a lot of evidence that major metros have decided numbers are not as important as margins," said the Newsday circulation executive.

But readership will bounce back, says Butcher, "for several reasons: Number one, our products really are not overpriced. Number two, circulation departments are a heck of a lot more professional. We've spent eight or 10 years professionalizing, and it will pay off in the 1990s. Number three, the graying of America" will mean more people will pick up newspapers more often as they age. In fact, Butcher expects a "3 to 5 percent gain" in circulation this decade.

Seattle's Fassio, for 25 years a circulation director before he rose to publisher, is less sanguine. "Teen-agers without television had to read in past years, but I don't know if becoming old suddenly makes them readers if they weren't ones in their formative years."

Despite Butcher's projected increase in newspaper sales, the Tampa executive expects newspapers' household penetration will continue to decline. "During the decade, I look for households to increase 10 to 12 percent, and thus I look for penetration to drop," he says. He predicts, however, that the decline will slow. U.S. newspaper circulation per 100 households dropped from 123.5 in 1950 to 67.8 in 1990, according to ANPA statistics.

"It's been falling about 1 percent a year," Butcher says, "but I expect it'll slow to a half percent a year" during the

Anne C. Williams, The Spokesman-Review

Blessed in 1991 by a healthy local market, The Spokesman-Review and Spokane Chronicle marketing team, led by marketing executive Higgins (center), plan for further success in '92.

1990s because of the improved performance of circulation departments and better news products from newspapers.

And Murray sees further good news—stabilization in the decline of newspaper reading frequency. The percentage of people telling surveys that they read a newspaper every day was more than 70 percent a quarter century ago, Murray told the conference, and that figure dropped to between 50 and 55 percent by 1980. "However, the decline in readership has stabilized in the 50s during the 1980s," Murray said. "That may mean the newspaper industry has found its core audience."

CONTROLLING COSTS. "If there's a silver lining" to these bad times, says The New York Times Co.'s Medenica, "it's that newspapers have been forced to think about operating efficiencies."

He and other executives expect newspapers to keep their costs in check this year. For example, labor costs—the largest component—are expected to increase only an average of 4.5 percent, says Madelyn P. Jennings, senior vice president/personnel of Gannett Co. This figure only slightly exceeds the 3.2 percent inflation rate most economists expect this year.

Much of the labor cost reductions have been achieved by cutting personnel, whether through attrition or layoffs. The number of newspaper jobs in the United States has declined by 20,300, or about 4.2 percent. It fell from an all-time high of 479,000 in June 1990 to 458,700 in October, according to the latest figures available from the Bureau of Labor Statistics. These figures do not include the additional hundreds of jobs lost with the recent closings of the Knoxville (Tenn.) Journal, the Arkansas Gazette and the Dallas Times-Herald. (See story, p. 56.) The magnitude of this reduction in employment contrasts with previous recessions, when newspaper employment remained stable.

Berents of Alex. Brown says there may be room for even more cuts as newspapers reduce "ego circulation." For instance, Fassio says the Post-Intelligencer now charges non-local readers 75 cents per newsstand copy while readers within the six counties surrounding Seattle pay 35 cents. The loss of outlying circulation that results from such pricing policies often leads to the closing of distant news bureaus, another cost savings. "This may be heresy, but (some newspapers) have very exorbitant news

Alberto Pacheco

> *"If there's a silver lining, it's that newspapers have been forced to think about operating efficiencies."*
>
> **Gordon Medenica**
> **The New York Times Co.**

budgets," says Berents. "As a percentage of revenues they are extraordinarily high."

However, many newspaper executives, and even analysts such as Morton, worry that newspapers will do themselves long-term harm by cutting too deeply into news and circulation operations. Watson points to Gannett's News 2000 project to hold old readers and attract new ones—an effort Berents praises. "We are making a very concerted effort to increase our investment in news and circulation," Watson says.

When they can, newspaper executives are also "taking advantage of attrition, rather than massive layoffs," says Jennings of Gannett. "They are looking at job recombinations. Say if someone leaves, they might divvy up that job among the remaining people."

Of course, that approach is limited by just how much the remaining employees can reasonably handle, Jennings adds, "but the problem is that newspapers are a people business. Personnel account for 50 cents of every expense dollar."

To keep from cutting into the bone of their work forces, newspaper managers are trying to maximize efficient use of their staffs. Medenica says they're trying to work smarter through better use of technology "in the whole chain of events of stories from reporter to reader—using computers in how pages are put together, managing presses, reducing waste, truck scheduling. . . . There's not a single bold stroke; there are lots of little things."

Salaries for those employees who remain at newspapers "have held up well from an employee point of view when adjusted for inflation," says Gannett's Jennings. But in the future, "raises will not necessarily run ahead of inflation." Jennings says the average newspaper wage increase was about 5 percent in 1990 and between 4.8 and 5 percent last year, compared to an estimated 3.8 percent inflation rate.

Finally, newspapers have held down expenses in another major cost component: newsprint. Lately, rampant discounting of newsprint prices has cut 30 to 40 percent from the list price, and analysts and buyers predict that newsprint companies won't raise prices for another year [**presstime**, Nov. 1991, p. 20].

"The easy cost control changes have been done," warns Medenica.

The next moves may be more painful ones, of course, but many newspapers plan to go on the offensive against the economic forces that have been battering them. One strategy will be to find new ways to build readership. In one representative comment, Gannett's Watson says, "I think some structural changes are needed. . . . Without strong readership, the rest of (newspapers' goals) will not follow."

All of these revenue-building steps are needed, publishers believe, so that whenever the economic weather improves, newspapers will be ready to make hay while the sun shines. □

The Outlook For Newspapers: Four Analysts' Views

The 'Secular Slide' Requires Evolutionary Adjustments

BY KENNETH T. BERENTS

Kenneth T. Berents

Suffering through the greatest comparative cyclical downturn in 40 years, members of the newspaper community seem to agree that the decline is exacerbated by long-term, structural changes.

For example, at this year's ANPA Convention, publishers were told they may have to "re-invent" their papers to adapt to changing advertising and readership patterns. Association leaders realize that the industry's problems are deeper than just the recessed advertising environment.

Two major groups, Gannett Co. and Knight-Ridder Inc., seemingly worried about these evolutionary rumblings, are adapting by trying to capture the "lost readers" of the Baby Boom generation. In time, other newspaper publishers should follow their lead.

I call this environment the "secular slide" because the daily newspaper industry has not gone bad; rather, it is a mature industry whose monopolistic dominance has been overcome by secular changes.

In two recent polls I conducted of approximately 1,500 top U.S. newspaper executives each, with about 200 responding to each, most indicated they agree with this assumption and plan to implement internal changes.

In the July 1991 survey, large majorities of respondents affirmed that a newspaper's biggest obstacle is competing for consumers' time with cable, TV and videotapes. Niche marketing seems to be a major trend of advertisers, who are seeking more specific, more efficient methods of reaching consumers. Another indicator from the July survey is that many newspaper executives may have taken advantage of their monopolistic positions in the 1980s by hiking rates too often, forcing advertisers to go elsewhere.

Sixty-five percent agree that most newspapers have been reluctant to adjust to societal changes. Many papers are wordy, dull entities that appeal to older readers who are not prime prospects for advertisers.

The second survey, in October, focused on solutions to these problems. Most respondents said newspapers should:

- Improve graphics.
- Become more pro-active in their communities.
- Give more care and feeding to advertisers, particularly small independent retailers.
- Cut back on expensive delivery to fringe areas.
- Sell databases.

These findings show that industry leaders are focusing on the underlying issues that seem to be sapping their ability to compete. Most publishers look forward to the future as a challenge, rather than as a foregone defeat.

Berents is vice president and senior analyst at Alex. Brown & Sons Inc., Baltimore.

Newspapers Handled Slump Well, Should See Turnaround This Year

BY JOHN S. REIDY

John S. Reidy

In 1991, historic similarities between the growth rates of the gross national product and advertising media were shattered.

While 1991's nominal GNP rose an estimated 4 to 5 percent, daily newspaper advertising dollars declined more than 7 percent. Television advertising dropped even more. The secular and cyclical causes include: consumers concerned about losing jobs, their personal debts and declining wealth; banks that refuse to lend; and corporations that remain overleveraged and are still laying off people.

Thus, near-term prospects for advertising in newspapers and other mass media are unpredictable. Newspaper executives, faced with uncertainty about what is happening to 80 percent or so of revenues, are able to influence profits only by controlling costs. Without exception, they have tightened belts in every way. They're also boosting circulation prices to enhance that small portion of revenue over which they have fairly complete control.

If one believes that newspaper advertising shall continue to decline—which we do not—then companies would have to do more cutting. Given our belief that newspaper advertising is going to turn around gradually, newspaper companies, collectively and individually, have responded appropriately to the 1990-91 advertising crash.

The decline in newspapers' local or retail advertising—typically 50 percent or more of ad dollars—is due to retail bankruptcies and consumers switching to low-price establishments like Wal-Mart. We think the newspaper industry will have "cycled through" most of this retail shrinkage by mid-1992.

The decline in classified advertising, after unprecedented growth, is almost entirely cyclical, with the greatest weakness in the recession-prone Northeast and Southern California regions. But there are recent signs of classified's stability in some depressed areas, such as Boston.

Newspaper managers have responded fairly effectively to the slump, which is nearly over. Of additional, long-term concern is the industry's weak response to telephone company threats in the aftermath of court decisions on information services. This is the critical issue for the 1990s.

Reidy is managing director for Smith Barney, Harris Upham & Co., New York City.

Circulation Price Hikes, Downsizing Could Weaken Industry in the Long Run

BY JOHN MORTON

John Morton

Used to be, when advertising went soft, all a newspaper manager had to do was jack up rates. In those happy days, advertisers had little choice but to pay up, because the local newspaper was about the only effective way to reach the market. Now a proliferation of competitors means that newspapers are stuck at rate increases around the inflation rate, unless there is an unusual increase in circulation. This change explains why newspapers have been hit so hard during the recession.

In this environment, it is difficult to develop revenue-enhancers, although some newspapers are creating new sections. Of course, circulation offers revenue opportunities, and many newspapers have risen from 25 cents daily to 35 cents or from 35 cents to 50 cents.

The 1990-91 recession—and 1992 probably will be added as well—may be remembered as the time when 50-cent newspapers became common and acceptable. The increases reduce costs by driving down circulation and newsprint consumption. Long term, though, such hikes weaken an industry already struggling with poor circulation.

One way of shoring up profits is cost containment, and drastic measures are being taken. Employee layoffs have become common in an industry that historically did not discharge people for economic reasons.

The other opportunities for cost reduction are country circulation and the news hole. Most outlying circulation is not profitable because it is not supported by local advertisers, and trimming usually does not significantly harm a paper's appeal to advertisers.

Cutting the news hole is a last resort because it undermines market position. Of all steps, this—and reducing the news staff—are most hazardous to a paper's future. Unfortunately, some choose these first.

Such downsizing may be permanent because it is unlikely newspapers will come out of this recession as strong as they came out of past slumps. Some ad losses are due to cyclical factors—perhaps two-thirds—but the rest are long-lasting structural changes in how retailers and manufacturers seek customers. This, coupled with growing competition, will mean profit margins are going to be under pressure even after recovery.

To counter these trends, most well-managed newspapers will try to sell fragmented advertising zones to smaller retailers, enlarging their franchise but raising costs.

Nevertheless, newspapers remain highly profitable by other industry standards. Our survey of companies that report newspaper finances separately from other operations indicates average operating-profit margins in the 10 to 11 percent range for the first nine months of 1991. Some are doing worse, and a few, especially in the Northeast, are losing money.

The newspaper business is weathering the recession well. But this is a new decade: Instead of being two to three times more profitable than most businesses, newspapers may be only one to two times more lucrative.

Morton is president of Morton Reseach Inc., Washington, D.C., and an analyst with Lynch, Jones & Ryan, New York City.

It's All Relative: Newspaper Advertising is Healthy By Some Standards

BY J. KENDRICK NOBLE JR.

J. Kendrick Noble Jr.

It is certainly possible to look at trends in the newspaper industry and see rigor mortis setting in. To cite a few: Household penetration has been falling for 40 years. Cyclical classified is becoming the largest advertising category, instead of stable retail. Low-margin preprints are substituting for profitable run-of-press ads. Some suspect that there are too many retailers who may be replaced by non-advertising discounters. And now we have what is described as the worst ad recession in a generation.

But the picture moderates somewhat when we take a relative view, using as our reference "Personal Consumption Expenditures," or the total expenditures of people for durables, nondurables and services.

Advertising expenditures for all media have, since 1929, never exceeded 3.56 percent of PCE, plus or minus 0.13 percent. They did, however, fall within that very high range of 3.43 to 3.69 percent in 1929-1930, 1955-1966, and 1984-1990.

(Noble uses advertiser expenditures for historical studies because that's how records have been kept. In his own projections, as in the story beginning on p. 18, he measures revenues.)

Ad expenditures have slipped from that high level recently; yet they are not in any relative trough, however sharp the recent fall has been.

Newspaper ad expenditures accounted for about 0.96 percent of PCE from 1984-1988, their largest share since 1966. In 1990, that figure still stood at 0.88 percent, despite new competition and the fact that there were 5 percent fewer newspapers. In short, the average newspaper has recently had its highest relative advertising volume in 30 years. And I don't think it will fall much further, apart from a possible renewed recession, until 1996 or later.

The principal cause of the recent weakness in all local advertising is the relative decline in the money supply, the "credit crunch," which disproportionately affects small businesses. In the 1990s, PCE will probably grow only 5.9 percent per year, versus 7.8 percent in the 1980s. Something less is probably the best we can expect for newspaper advertising.

Ultimately, the industry must raise revenues, not merely lower expenses. Growth can come by increasing circulation and revenue per reader and expanding into media areas with better growth prospects.

Noble is president of Noble Consultants Inc., Bronxville, N.Y.

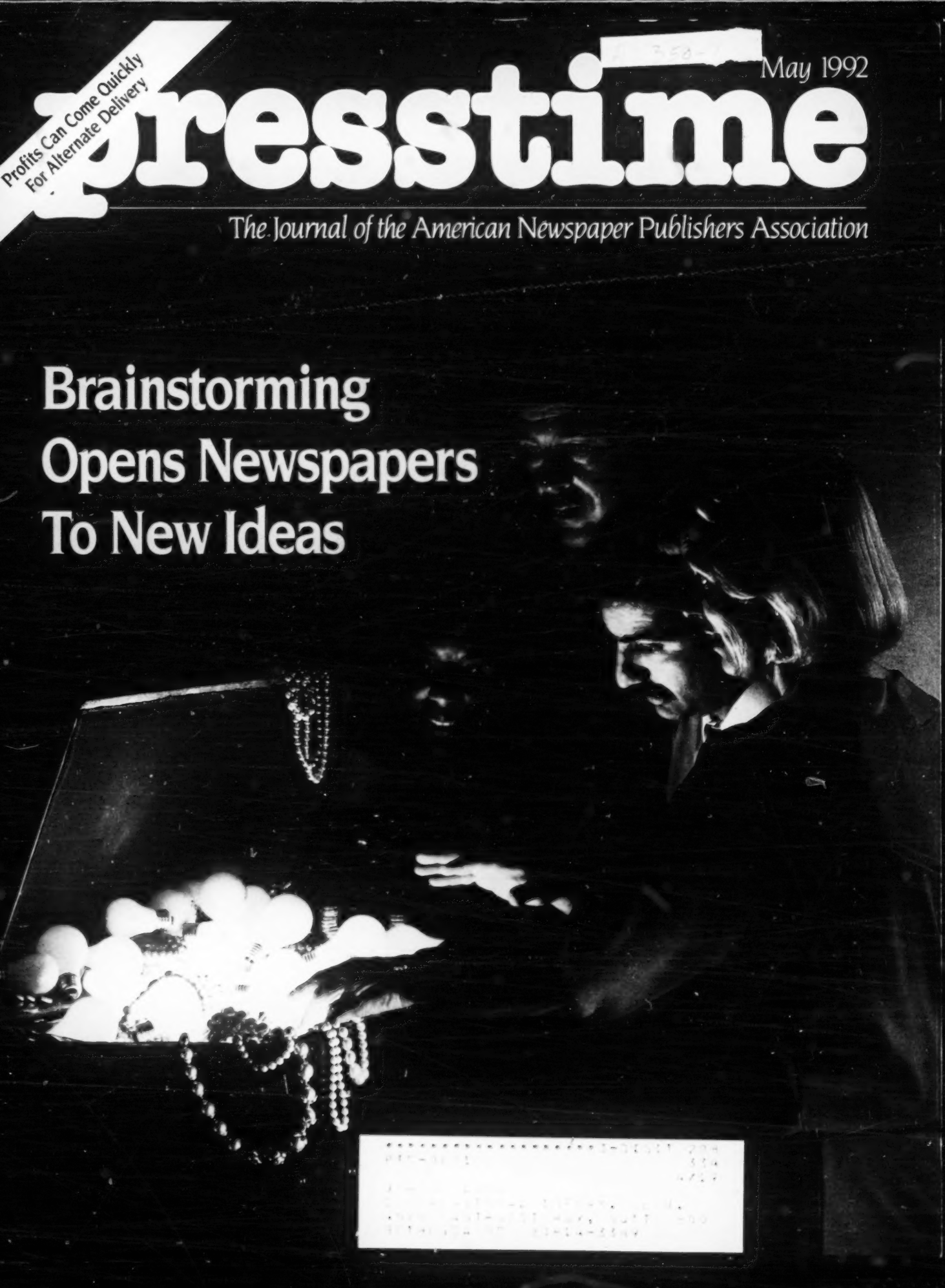
May 1992

Presstime

The Journal of the American Newspaper Publishers Association

Profits Can Come Quickly For Alternate Delivery

Brainstorming Opens Newspapers To New Ideas



presstime

MAY 1992 VOLUME 14, NUMBER 5

18 Special Report *From retreats to weekly meetings to consulting sessions, more newspaper companies are turning to brainstorming to tap the resources of their staffs. The goal? To generate new ideas that will help keep their publications vital and prosperous. Once, brainstorming had an image of touchy-feely impracticality. But today's meaningful sessions are a recognition that to change is to survive. While most efforts have centered on editorial improvements, the technique is spreading.*

6 Going door to door *Newspapers are increasingly participating in alternate delivery, much to the chagrin of postal carriers and direct mailers.*

10 Campus comeback *Journalism schools see revived interest in news-editorial programs, as the number of advertising majors eases slightly.*

14 Principled declaration *Mission statements are good for the soul of a newspaper, helping employees and customers understand the company's goals.*

25 Savings bonanza *Newspapers offer—and employees are using—a wide variety of savings and pension plans, from tax deferrals to profit sharing.*

32 Profile: Frank A. Bennack Jr. *The Hearst Corporation's president and chief executive officer has a successful track record of fostering change.*

34 Essay: News creators *The label "news gatherers" avoids responsibility for what journalists do, ethics Professor Louis W. Hodges contends.*

42 Bells on the move *The regional phone companies are nudging into information services. Their activity so far has not been [illegible] "gee-whiz" genre.*

46 Editors meet *They bared their thoughts about connecting with their communities, communicating with their staffs and resisting advertiser pressures.*

62 A Peach of a show *A revamped ANPA/TEC '92 will unfold in Atlanta June 6-10 with equipment galore. Here's a handy categorized preview.*

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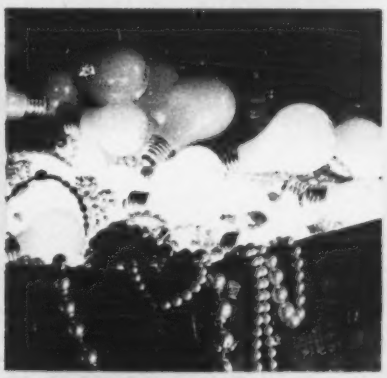
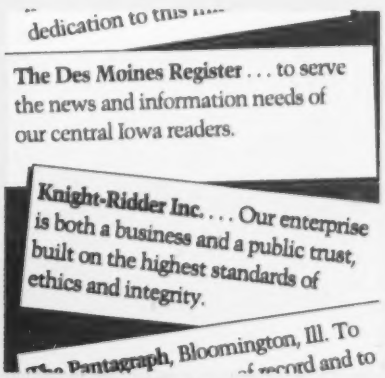


Special Report, p. 18
(Cover photography by Lightscapes.)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The Des Moines Register . . . to serve the news and information needs of our central Iowa readers.
Knight-Ridder Inc. . . . Our enterprise is both a business and a public trust, built on the highest standards of ethics and integrity.
Pantagraph, Bloomington, Ill. To
record and to

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Newspapers prove effective in helping buyers find the right car

A new study concludes that newspaper advertising continues to be the most powerful medium for building traffic in car dealerships. And print media—magazines, newspapers and auto traders—proved highly effective in helping consumers choose makes and models.

The 1991 research, conducted by J.D. Power and Associates and sponsored by the Newspaper Advertising Bureau, included a survey of 1,053 buyers of Chrysler, Ford and General Motors cars. About 43 percent found newspaper advertising most helpful in dealer selection, with more influence than television and magazine ads combined.

Although no one medium dominates as a primary shaper of brand-name decisions, 27 percent of the respondents said they considered newspaper ads the most helpful in choosing makes or models. Newspapers were second only to magazines, rated most helpful by 29 percent. Television advertising was considered most helpful by 26 percent. (See table, above.)

The Power study updates similar 1988 findings by Maritz Marketing Research Inc. [presstime, Oct. 1988, p. 63]. The earlier work formed the basis of a popular NAB information package for car dealers.

That selling aid is being updated using the new study results. It will be released in May as a five-part package: a video, a desktop computer program, a brochure titled "Newspapers: The Fast Lane to New Car Sales," a camera-ready newspaper advertisement, and instructions on presenting the material to local car dealers and associations.

The study will "strengthen the selling power of newspapers at the local level with auto dealers, by demonstrating the continued pulling power of newspapers," said Albert E. Gollin, the bureau's vice president/research.

Automotive advertising accounts for about 15 percent of advertising expenditures in newspapers, he noted, most of it in classified columns. Auto ads constitute about 36 percent of all classified linage. During the last three recessionary years, however, the rate of growth for automotive classified has "dropped sharply from double digits to single digits and may not have grown at all in 1991, according to preliminary estimates," Gollin reported.

Convincing manufacturers and auto dealer associations to use newspaper advertisements to "build and reinforce brand image" could help reverse that trend, he said. "The more challenging and innovative role of this study is to demonstrate the brand image building power of newspapers," he noted. Other findings show:

- Buyers enter and exit the market quickly. The average time spent shopping for a new car is 19 days.
- Print media such as brochures and newspapers are the top information sources.
- 79 percent of the buyers surveyed read a paper every day in 1991, compared with 51 percent of the general adult population.
- Nearly two-thirds of those surveyed shop at "convenient" dealers. Classified ads help them find the showrooms. Nearly half visited only one or two locations before signing a sales contract; another 33 percent visited three or four.

The package's price has not yet been determined. For further information, call NAB at (212) 704-4614. —*Nancy M. Davis*

Most Helpful Advertising Medium, 1991

	In Selecting Auto Dealer	In Selecting Make/Model
Newspaper advertising	43 %	27 %
TV advertising	27	26
Magazine advertising	15	29
Auto traders/free publications	10	16
Radio advertising	5	2

Daniel Renero

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Capital spending again projected to top $1 billion

Newspaper companies responding to ANPA's annual survey of capital expenditures spent more than $1.3 billion on plant construction, telecommunications and other equipment in 1991, the sixth straight year survey expenditures topped the $1 billion mark.

Newspaper publishers estimate they will spend slightly less on plant construction and new equipment this year, but spending of more than $1 billion is still forecast.

The survey was answered by 402 ANPA-member newspapers—386 in the United States and 16 in Canada. Responses to this year's survey were down from 1991, when 424 newspapers participated. The response rates fluctuate from year to year, making direct comparisons difficult. The forms were sent to the plants that print ANPA-member newspapers [**presstime**, June 1991, p. 87].

This year, the survey was revised to yield more precise data. For example, in the past, editorial, classified and advertising computer systems were lumped together as front-end systems. This year, editorial, financial, classified and other systems were listed separately.

Pressroom equipment, previously a single designation, was divided into new and used press machinery. The post-press category, formerly a single entry, became seven specific items including inserters, stackers and accountability systems.

A closer examination of the survey results reveals how publishers spent their money in 1991 and project their spending for this year.

In 1991, newspapers spent $829.4 million on new equipment and $501.1 million on plant design and construction.

New equipment purchase projections are $770.2 million for 1992, while new plant construction and plant modernization expenses are expected to reach $329 million.

Telecommunications equipment expenditures are projected at $21 million this year,

Chart 1—1992 Estimates

Newspaper Plants Participating[1]	U.S. 386	Canada 16	Totals 402
Plant Expansion and Modernization			
New Building	$186,081,438	$21,143,838	$207,225,276
Addition(s) to existing building and/or satellite building	31,999,812	50,000	32,049,812
Modernization of existing building	54,540,020	966,000	55,506,020
New furniture and office equipment	25,186,336	1,292,825	26,479,161
Additional land	7,367,587	0	7,367,587
Subtotal	$305,175,193	$23,452,663	$328,627,856
Telecommunications			
Telephone systems	8,769,581	510,000	9,279,581
Radio	832,813	28,000	860,813
Audiotex, videotex	3,007,900	345,000	3,352,900
Satellite	70,000	0	70,000
Other	6,713,012	438,000	7,151,012
Subtotal	$19,393,306	1,321,000	20,714,306
New Equipment			
Computers (hardware and software)			
Editorial	$53,888,080	$2,943,500	$56,831,580
Classified	24,327,353	21,188,870	26,516,223
Financial systems	17,266,208	1,283,500	18,549,708
Circulation systems	10,406,726	1,239,000	11,645,726
Personal computers	17,156,975	846,392	18,003,367
Electronic library system(s)	4,186,668	19,200	4,205,868
Imaging devices	21,273,676	1,292,000	22,565,676
Other	33,416,893	946,000	34,362,893
Digital darkroom, editorial photo department, electronic picture desk	13,170,652	522,000	13,692,652
Color scanners and color separation equipment	16,875,991	754,000	17,629,991
Platemaking equipment	8,957,328	2,656,373	11,613,701
Pressroom			
New press machinery	259,102,453	23,547,000	282,649,453
Used press machinery	7,526,183	200,000	7,726,183
Post-press			
Inserters	55,431,651	4,780,000	60,211,651
Stackers	14,775,935	1,644,000	16,419,935
Conveyor(s)	17,100,977	8,669,000	25,769,977
Bundle strapping	6,324,562	260,000	6,584,562
Bundle distribution	16,699,272	0	16,699,272
Newspaper accountability systems	2,715,998	750,000	3,465,998
Pallet load leveler (ergonomic devices to prevent back strain)	968,800	285,000	1,253,800
Warehouse equipment			
Newsprint roll handling	3,539,055	60,000	3,599,055
Pallet handling	3,074,471	186,000	3,260,471
Pallet storage racks	958,600	0	958,600
AGV (automatic guided vehicle)			
Newsprint handling	6,472,812	2,394,000	8,866,812
Pallet handling	1,621,000	1,516,000	3,137,000
Energy and security management equipment	4,964,733	25,000	4,989,733
Transportation—automobiles and trucks	27,363,235	185,000	27,548,235
Newspaper vending machines	10,256,817	832,000	11,088,817
Commercial or job printing equipment	3,508,157	19,000	3,527,157
Waste management	3,518,118	10,000	3,528,118
Other	34,357,336	8,900,000	43,257,336
Subtotal	$701,206,715	$68,952,835	$770,159,550
Estimated Total Outlays	$1,025,775,214	$93,726,498	$1,119,501,712

[1]Figures represent only those ANPA-members reporting and not all daily newspapers.

Chart 2—1991 Expenditures

Newspaper Plants Participating[1]	U.S. 386	Canada 16	Totals 402
Plant Expansion and Modernization			
New Building	$288,109,720	$70,256,609	$358,366,329
Addition(s) to existing building	20,159,145	189,724	20,348,869
Modernization of existing building	55,889,254	2,746,072	58,635,326
New furniture and office equipment	30,583,618	3,533,953	34,117,571
Additional land	29,652,346	0	29,652,346
Subtotal	$424,394,083	76,726,358	501,120,441
Telecommunications			
Telephone systems	8,546,368	28,782	8,575,150
Radio	1,152,686	0	1,152,686
Audiotex, videotex	1,205,991	0	1,205,991
Satellite	163,567	5,000	168,567
Other	2,268,711	64,395	2,333,106
Subtotal	$13,337,323	$98,177	$13,435,500
New Equipment			
Computers (hardware and software)			
Editorial	$29,693,705	$2,186,321	$31,880,026
Classified	16,747,637	2,544,910	19,292,547
Financial systems	12,066,278	1,051,059	13,117,337
Circulation systems	6,608,672	560,311	7,168,983
Personal computers	14,180,128	656,358	14,836,486
Electronic library system(s)	1,341,921	10,000	1,351,921
Imaging devices	13,821,181	812,837	14,634,018
Other	19,792,104	249,532	20,041,636
Digital darkroom, editorial photo department, electronic picture desk	10,293,431	558,816	10,852,247
Color scanners and color separation equipment	11,131,639	415,531	11,547,170
Platemaking equipment	8,910,002	1,171,274	10,081,276
Pressroom			
New press machinery	342,177,449	77,803,200	419,980,649
Used press machinery	10,800,110	62,300	10,862,410
Post-press			
Inserters	62,594,260	9,565,423	72,159,683
Stackers	10,046,381	2,968,000	13,014,381
Conveyor(s)	28,958,793	5,863,887	34,822,680
Bundle strapping	7,218,849	781,100	7,999,949
Bundle distribution	7,183,602	16,500	7,200,102
Newspaper accountability systems	1,116,923	0	1,116,923
Pallet load leveler (ergonomic devices to prevent back strain)	2,114,005	55,608	2,169,613
Warehouse equipment			
Newsprint roll handling	0	0	0
Pallet handling	5,822,033	53,846	5,875,879
Pallet storage racks	132,366	0	132,366
AGV (automatic guided vehicle)			
Newsprint handling	14,766,784	4,385,000	19,151,784
Pallet handling	2,841,340	2,802,000	5,643,340
Energy and security management equipment	7,754,333	199,340	7,953,673
Transportation—automobiles and trucks	20,681,711	1,095,515	21,777,226
Newspaper vending machines	8,267,487	295,000	8,652,487
Commercial or job printing equipment	3,007,636	6,200	3,013,836
Waste management	2,851,416	15,000	2,866,416
Other	22,276,960	8,047,226	
Subtotal	$705,199,136	124,232,094	829,431,230
Total Outlays	$1,142,930,541	$201,056,629	$1,343,987,171

a hefty increase. If this level of spending holds up, newspapers will buy more than six times as much telecommunications equipment as they did just two years ago. In 1990, newspapers spent $3.3 million while $13.4 million was spent last year.

For the first time, respondents were asked to specify the types of telecommunications equipment purchased. They estimated that in 1992, $9.3 million will be spent on telephone systems, compared with $8.6 million in 1991.

Audiotex and videotex equipment spending is expected to nearly triple, from $1.2 million last year to $3.3 million this year.

The pre-press area will also be the focus of extensive new equipment purchases this year. By far, the biggest expenditures will be for editorial systems, with $57 million budgeted—a 78 percent increase over 1991, when newspapers spent $32 million. Expenditures for classified-ad systems also will jump, from $19 million in 1991 to estimates of $26.5 million this year—a 39 percent increase.

A new category was established for digital darkrooms. Newspapers indicated they spent nearly $11 million on that type of equipment in 1991 and plan expenditures of $13.7 million this year.

Color scanners and other color separation equipment also will be popular. In 1991, newspapers spent $11.5 million on such color equipment, and 1992 expenditures of $17.6 million are planned—a 53 percent increase.

For the most part, projected capital spending for heavy equipment in 1992 will be down from 1991, when newspapers spent $420 million on new pressroom machinery and $11 million on used press equipment. In 1992, projected spending totals $283 million for new presses and related equipment—a 32 percent decrease—and $7.7 million for used pressroom machinery.

In the post-press area, the most spending, $60.2 million, will go for inserters this year, but that figure is down 16 percent from 1991's spending of $72 million.

Spending for bundle-distribution equipment is projected to more than double, from $7.2 million in '91 to $16.7 million this year. □

New name for Main

Chas. T. Main, the Boston engineering and architectural firm, changed its name to Parsons Main Inc. The company, which has a printing and publishing division that includes newspaper projects, is owned by Parsons Corp., an international engineering and construction company. □

Recent equipment purchases

Newspapers in the United States have made the following recent purchases of major equipment, according to information from vendors and newspapers:

Packaging and Distribution

Graphic Management Associates Inc. SLS-1000 inserting system, with a NewsGrip single-gripper conveyor, hopper loaders and a Package Monitoring System—Vacaville (Calif.) Reporter and Altoona (Pa.) Mirror.

Muller Martini Corp. 335 saddle stitcher for television guides—Stuart (Fla.) News, Gainesville (Ga.) Times, Owensboro (Ky.) Messenger-Inquirer, Fitchburg (Mass.) Sentinel & Enterprise, Olean (N.Y.) Times-Herald, Newark (Ohio) Advocate, Piqua (Ohio) Daily Call, and West Chester (Pa.) Daily Local News.

Pagination Systems

Harris Corp. XP-21 Page Server, a color page-assembly and graphics-handling system for advertising production that links with the newspaper's existing equipment—Colorado Springs Gazette Telegraph.

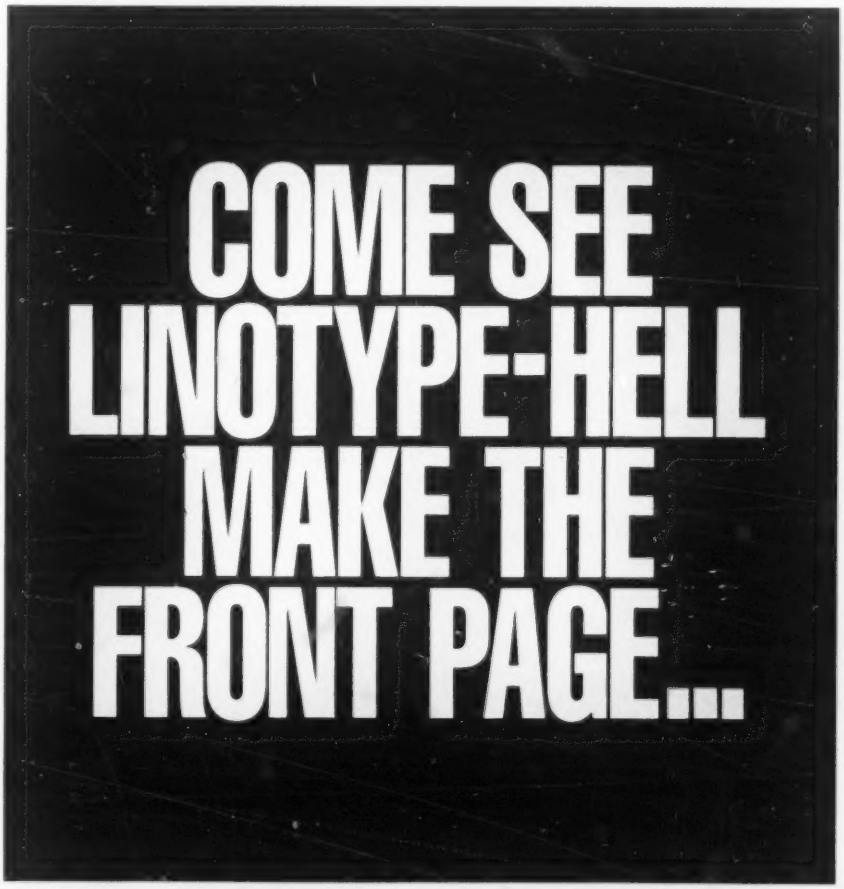
Harris Corp. pagination and graphics system, including 15 pagination terminals to automate news page production plus Image Management and Graphic Enhancement System software that integrates Apple Macintosh-based files, color photos from the AP Leaf Picture Desk, and black-and-white photographs from the Autokon scanner—Portland Oregonian.

Pre-Press Systems

Diadem Inc. color electronic pre-press system with a Carat 500 color electronic workstation, a 420R light-emitting diode film recorder, a 220S LED scanner, a CaratScript PostScript interpreter and ScanLink software joining the Apple Macintosh with drum scanners for color imaging—Tacoma (Wash.) Morning News Tribune.

Pressroom

MAN Roland Inc. Mediaman offset press, a six-unit press with six color decks and a 2:1 tucking blade folder—Kennewick (Wash.) Tri-City Herald. □



35-cent weekday and $1 Sunday papers still dominate

The predominant price for daily newspapers remained 35 cents on weekdays and $1 on Sundays in 1991, according to ANPA's annual survey of single-copy, city-zone, street-sale prices.

The survey covered 1,693 daily newspapers and 878 Sunday newspapers published in the United States, Canada, the Bahamas, Bermuda, Guam, Puerto Rico and the Virgin Islands. It showed that 818 of the dailies, or 48.3 percent, cost 35 cents per weekday copy last year. This compares with 765, or 44.3 percent, selling for 35 cents in 1990—the first year the predominant price was at that level [**presstime**, May 1991, p. 54].

Also increasing last year was the number of papers priced at 45 cents (from seven to 17), 50 cents (from 155 to 300), 55 cents (from three to 11), 60 cents (from three to six), 65 cents (from zero to one), and 75 cents (from three to eight). The 75-cent level for weekday editions was first reached in 1990.

At the other extreme, two newspapers are selling for 10 cents a copy. They are the Leesburg (Fla.) Daily Commercial and the Duluth (Ga.) Gwinnett Daily News. (It had been erroneously reported previously that there were no longer any 10-cent dailies.)

Newspapers selling for 15 cents decreased (from eight to four), as did those priced at 20 cents (from nine to seven), 25 cents (from 665 to 450), 30 cents (from 67 to 37) and 40 cents (from 42 to 32).

On the Sunday-edition front, 276, or 31.4 percent, sold for $1 in 1991 compared with 256, or 29.3 percent, the year before. There was also an increase in the number selling for 35 cents (from 13 to 17), 60 cents (from four to five), 65 cents (from one to two), $1.25 (from 125 to 158) and the highest price of $1.50 (from 12 to 45). Two Sunday editions sold for 80 cents and one each for 70 cents, 90 cents and $1.15.

Those selling for the least expensive price—25 cents—decreased (from 33 to 22). So did those priced at 30 cents (from two to one), 50 cents (from 182 to 128) and 75 cents (from 241 to 219). Until 1990, the latter price was the Sunday norm for three consecutive years.

Data were derived from the Audit Bureau of Circulations and other sources. □

Price outpaces the CPI

Between January 1991 and January 1992, the average price of a U.S. daily newspaper rose 8.8 percent. That is more than twice the 3.1 percent increase of the consumer price index in 1991, according to the Department of Labor's Bureau of Labor Statistics.

In 1990, the average price of a daily newspaper increased 6 percent, slightly more than the 5.7 percent CPI increase [**presstime**, May 1991, p. 54].

Price per single copy of Sunday newspapers—1991

	25 cents	35 cents	50 cents	75 cents	$1.00	$1.25	$1.50	Total[1]
Alabama	--	--	3	7	9	--	--	19
Alaska	--	--	2	--	1	1	--	4
Arizona	--	--	1	--	8	--	2	11
Arkansas	1	1	9	5	--	--	--	16
California	2	2	11	16	25	12	1	70
Colorado	--	--	3	6	1	--	--	10
Connecticut	--	--	--	--	3	6	2	11
Delaware	--	--	--	--	1	1	--	2
District of Columbia	--	--	--	--	--	1	--	1
Florida	--	--	12	11	6	4	1	34
Georgia	--	--	--	11	4	2	1	18
Hawaii	--	1	1	1	1	1	--	5
Idaho	--	--	1	--	7	2	--	10
Illinois	--	--	3	1	15	4	3	27
Indiana	--	--	--	1	13	7	1	22
Iowa	--	--	--	2	2	3	3	10
Kansas	--	--	2	8	4	3	--	17
Kentucky	--	--	1	4	5	--	2	12
Louisiana	--	1	5	8	5	--	1	21
Maine	--	--	--	--	1	1	--	2
Maryland	--	--	1	2	3	--	1	7
Massachusetts	--	--	--	1	2	9	1	14
Michigan	--	--	2	4	10	6	1	23
Minnesota	--	1	3	3	1	3	1	13
Mississippi	1	--	--	4	7	2	1	15
Missouri	--	1	2	8	4	3	1	19
Montana	--	--	--	1	2	3	1	7
Nebraska	--	1	1	3	--	2	--	7
Nevada	--	--	--	--	1	--	2	3
New Hampshire	--	--	--	--	2	2	--	4
New Jersey	--	--	4	7	1	5	--	17
New Mexico	--	1	2	4	6	--	--	13
New York	--	--	1	1	12	20	4	41
North Carolina	--	--	7	10	13	4	--	34
North Dakota	--	--	--	2	2	3	--	7
Ohio	--	--	1	12	15	4	2	34
Oklahoma	7	1	13	11	4	2	--	39
Oregon	--	1	--	4	4	1	--	10
Pennsylvania	--	--	--	7	15	4	3	29
Rhode Island	--	--	1	--	1	--	1	3
South Carolina	--	--	--	7	3	3	--	13
South Dakota	--	--	--	1	--	3	--	4
Tennessee	1	--	--	3	8	2	2	16
Texas	10	4	18	25	25	5	--	87
Utah	--	--	--	--	3	1	2	6
Vermont	--	--	--	--	--	3	--	3
Virginia	--	--	2	5	3	6	--	16
Washington	--	--	2	1	6	6	--	15
West Virginia	--	--	--	5	5	1	--	11
Wisconsin	--	--	1	2	3	6	5	17
Wyoming	--	--	2	--	2	--	--	4
Totals								
U.S.	22	15	117	214	274	157	45	851[1]
Canada	--	2	11	4	1	1	--	21
Bahamas	--	--	--	--	--	--	--	0
Bermuda	--	--	--	--	--	--	--	0
Guam	--	--	--	1	--	--	--	1
Puerto Rico	--	--	--	--	1	--	--	2
Virgin Islands	--	--	--	--	--	--	--	0
Grand Totals	22	17	128	219	276	158	45	878[1]

[1]Includes newspapers selling for 30 cents (one in Minnesota), 60 cents (one each in Florida, Illinois and Louisiana, and two in Canada), 65 cents (one each in New York and Oklahoma), 70 cents (one in New York), 80 cents (one each in Massachusetts and New York), 90 cents (one in Puerto Rico), and $1.15 (one in California).